

PART III

PART III

ADMINISTRATIVE MEASURES ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING THE YEAR RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

OPERATING INSTRUCTIONS, CIRCULARS, DIRECTIONS AND NOTICES

	Ref. No.	Page
Bank Supervision		
1	Circular No. 01 of 2020: Credit Support to Accelerate Economic Growth	1
2	Circular No. 02 of 2020: Credit Support to Accelerate Economic Growth	3
3	Circular No. 03 of 2020: Recovery of Accommodation to Exporters	7
4	Banking Act Directions No. 01 of 2020: Measures to Curtail Imports and Foreign Currency Investments	7
5	Circular No. 04 of 2020: Relief Measures to Assist COVID-19 Affected Businesses and Individuals	7
6	Circular No. 05 of 2020: Rupees 50 Billion, Six-Month Re-Financing Facility to Support COVID-19 Hit Businesses Including Self Employment and Individuals	8
7	Instructions to CEOs of LCBs and LSBs: Extraordinary Regulatory Measures taken by the Central Bank of Sri Lanka to Provide Flexibility to Licensed Banks to Support Businesses and Individuals Affected by the Outbreak of Coronavirus Disease (COVID-19)	11
8	Monetary Law Act Order No. 01 of 2020: Maximum Interest Rates on Pawning Advances of Licensed Banks	12
9	Circular No. 06 of 2020: Amendment to Circulars No. 04 and 05 of 2020	12
10	Instructions to CEOs of LCBs and LSBs: Extraordinary Regulatory Measures to Provide Liquidity to Licensed Banks amidst COVID-19 Outbreak	13
11	Banking Act Directions No. 02 of 2020: Liquid Assets for Licensed Commercial Banks and Licensed Specialised Banks	14
12	Banking Act Directions No. 03 of 2020: Restrictions on Discretionary Payments of Licensed Banks	14
13	Banking Act Directions No. 04 of 2020: Loan to Value Ratios for Credit Facilities Granted in Respect of Motor Vehicles	15
14	Banking Act Directions No. 05 of 2020: Investments in Sri Lanka International Sovereign Bonds by Licensed Commercial Banks and National Savings Bank	16
15	Banking Act Directions No. 06 of 2020: Extraordinary Regulatory Measures Amidst COVID-19	16
16	Circular No. 07 of 2020: Relief Measures to Assist COVID-19 Affected Businesses and Individuals	17
17	Banking Act Directions No. 07 of 2020: Amendments to Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks	17
18	Monetary Law Act Order No. 02 of 2020: Maximum Interest Rates on Lending Products of Licensed Banks	18

	Ref. No.	Page
19	Circular No. 08 of 2020: Extension of Debt Moratorium for COVID-19 Affected Businesses and Individuals in the Tourism Industry	19
20	Banking Act Directions No. 08 of 2020: Amendment to the Banking Act Directions on Ownership of Issued Capital Carrying Voting Rights for Licensed Commercial Banks	20
21	Banking Act Directions No. 09 of 2020: Amendment to the Banking Act Directions on Ownership of Issued Capital Carrying Voting Rights for Licensed Specialised Banks	21
22	Banking Act Directions No. 10 of 2020: Amendments to Banking Act Directions on Financial Derivative Transactions for Licensed Commercial Banks and Licensed Specialised Banks	21
23	Circular No. 09 of 2020: Amendments to Circular No. 04 of 2018 on Guidelines to Licensed Banks on the Adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments	22
24	Circular No. 10 of 2020: Debt Moratorium for COVID-19 Affected Businesses and Individuals	22
25	Banking Act Determination No. 01 of 2020: Annual Licence Fee of Licensed Commercial Banks and Licensed Specialised Banks	24
26	Monetary Law Act Order No. 03 of 2020: Maximum Interest Rates on Mortgage-backed Housing Loans	24
27	Banking Act Directions No. 11 of 2020: Investments in Sri Lanka International Sovereign Bonds by Licensed Commercial Banks and National Savings Bank	25
28	Banking Act Directions No. 12 of 2020: Investments in Sri Lanka International Sovereign Bonds by Licensed Commercial Banks and National Savings Bank	26
29	Banking Act Directions No. 13 of 2020: Amendments to Regulatory Framework on Valuation of Immovable Properties of Licensed Commercial Banks and Licensed Specialised Banks	26
Currency		
30	Circular No: 2020-01: Temporary Waiving off the Service Charge on Currency Notes Deposited by Licensed Commercial Banks	12/02/004/0007/001 27
Domestic Operations		
31	Circular No: 35/03/016/007/005: Outright Auctions under Open Market Operations	28
32	Operating Instruction No. 35/01/005/0007/15: Reserve Requirements	28
33	Operating Instruction No. 35/01/005/0007/16: Reserve Requirement: Daily Minimum Deposit	29
34	Operating Instruction No. 35/01/005/0007/17: Reserve Requirements	30
35	Operating Instruction No. 35/03/023/0001/001: Liquidity Facility to the Construction Sector upon Promissory Notes/Guarantees Issued by the Government	31
36	Circular No: 35/03/016/007/006: Introducing Modifications to the Existing System for Standing Facility under Open Market Operations	36
37	Operating Instruction No. 35/03/023/0001/002: Liquidity Facility to the Construction Sector upon 'Letter of Acceptance of Payments of Outstanding Bills Due to Contractors' Issued by the Treasury on behalf of the Government	36

	Ref. No.	Page
38 Operating Instruction No. 35/03/023/0001/003: Amendments to the Operating Instructions of the “Liquidity Facility to the Construction Sector upon Letter of Acceptance of Payments of Outstanding Bills Due to Contractors Issued by the Treasury on behalf of the Government”		41
Foreign Exchange		
39 Directions No. 01 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on Release of Foreign Currency Notes for Travel Purpose		41
40 Directions No. 02 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on Payments for Imports made on Documents Against Payments and Open Account Payment Terms		41
41 The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2169/03 – Thursday, April 02, 2020	2169/03	42
42 Directions No. 03 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on Loans to Business Foreign Currency Account holders		42
43 The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2170/04 – Wednesday, April 08, 2020	2170/04	43
44 Directions No. 04 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on the Special Deposit Account		43
45 Directions No. 05 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on Loans and Advances to Sri Lankans Employed Abroad (other than emigrants)		46
46 The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2182/32 – Wednesday, July 01, 2020	2182/32	46
47 The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2182/33 – Wednesday, July 01, 2020	2182/33	47
48 The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2182/37 – Thursday, July 02, 2020	2182/37	49
49 Directions No. 06 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on the Special Deposit Account		50
50 The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2196/22 – Tuesday, October 06, 2020	2196/22	54
51 Directions No. 07 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on Personal Foreign Currency Accounts		54
52 Directions No. 08 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on Inward Investment Accounts		54
53 Directions No. 09 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on Special Deposit Accounts		55
54 The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2202/07 – Tuesday, November 17, 2020	2202/07	57
55 Directions No. 10 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Authorized Dealers on the Special Deposit Account		57
56 Directions No. 11 of 2020 under Foreign Exchange Act, No.12 of 2017: Directions issued to Restricted Dealers who are solely engaged in money changing business (Money Changers) on Buying, Selling and Exchanging Foreign Currencies		61

	Ref. No.	Page
57 The Gazette of the Democratic Socialist Republic of Sri Lanka (Extraordinary): No. 2206/25 – Friday, December 18, 2020	2206/25	71
Financial Intelligence Unit		
58 Guidelines No: 01/2020: Scenario based LankaFIN Reporting Guideline for LFCs, ICs and SBs	037/04/002/0004/019	72
59 Circular No: 01/2020: Extraordinary Measure of Extending the Deadline for Submission of Threshold Reports	37/04/002/0004/019	76
60 Circular No: 02/2020: Extraordinary Measure of Extending the Deadline for Submission of Threshold Reports – Second Extension	37/04/002/0004/019	76
61 Guidelines No: 02/2020: Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism Compliance Obligations for Accountants and Trusts or Company Service Providers	037/08/001/0027/018	77
62 Circular No: 03/2020: Financial Institutions are advised to be vigilant to emerging Money Laundering/ Terrorist Financing risks	037/02/008/0010/016	93
63 Direction No: 01/2020: Contacting Compliance Officials during Weekends/ Public and Bank holidays	037/05/003/0005/016	94
64 Guidelines No: 03/2020: Revised Guidelines for Non Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons	037/05/006/0009/020	94
International Operations		
65 Operating Instructions to Submit Import Trade Information	33/04/012/0011/002	98
66 Operating Instructions for Licensed Commercial Banks on “Inward Investments SWAPs - IIS” Scheme	33/04/012/0011/002	100
67 Amendment to Operating Instructions for Licensed Commercial Banks on “In- ward Investments SWAPs - IIS” Scheme	33/04/012/0011/003	102
68 Operating Instructions to Submit Daily Foreign Exchange Net Open Position Report through the Central Integrated Market Monitor	33/04/012/0011/002	102
69 Operating Instructions for the Incentive Scheme on Inward Worker Remittances	33/04/012/0011/004	103
Public Debt		
70 Guidelines No: SSSS/02/2020: Guidelines on Recording of Secondary Market Transaction data and sending Securities Settlement Instructions to the Scripless Securities Settlement System (SSSS)	08/25/001/0005/001	104
Payments and Settlements		
71 General Direction No. 01 of 2020: Fees Chargeable on the Transactions effected through the Common ATM Switch		110
72 Payment and Settlement Systems Circular No. 01 of 2020: Live Operations of the LankaSettle System from the Disaster Recovery Site (DRS) from 16-20 March 2020	34/01/024/0106/07	111
73 Payment and Settlement Systems Circular No. 02 of 2020: Special Daily Operating Schedule of the LankaSettle System for 16.03.2020	34/07/029/0001/002	112
74 Payment and Settlement Systems Circular No. 03 of 2020: Special Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	113
75 Payment and Settlement Systems Circular No. 04 of 2020: Special Daily Operating Schedule of the LankaSettle System on 24.03.2020	34/07/029/0001/002	114

	Ref. No.	Page
76 Payment and Settlement Systems Circular No. 05 of 2020: Special Daily Operating Schedule of the LankaSettle System on 27.03.2020	34/07/029/0001/002	116
77 Payment and Settlement Systems Circular No. 06 of 2020: Special Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	117
78 Payment and Settlement Systems Circular No. 07 of 2020: Special Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	118
79 Payment and Settlement Systems Circular No. 08 of 2020: Special Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	120
80 Payment and Settlement Systems Circular No. 09 of 2020: Amendment to the Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	121
81 Payment and Settlement Systems Circular No. 10 of 2020: Special Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	123
82 Payment and Settlement Systems Circular No. 11 of 2020: Special Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	124
83 Payment and Settlement Systems Circular No. 12 of 2020: Maximum Limits on Transaction Value and Fees of Common Electronic Fund Transfer Switch		126
84 Payment and Settlement Systems Circular No. 13 of 2020: Mandating Licensed Commercial Banks incorporated in Sri Lanka and Licensed Operators of Mobile Phone based e-money systems to join LANKAQR	34/01/025/0038/002	126
85 Payment and Settlement Systems Circular No. 14 of 2020: Amendment to the Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	127
86 Guideline No. 01/2020: Guidelines on Minimum Compliance Standard for Payment Related Mobile Applications		128
87 Payment and Settlement Systems Circular No. 15 of 2020: Special Daily Operating Schedule of the LankaSettle System for 04.06.2020	34/07/029/0001/002	133
88 Payment and Settlement Systems Circular No. 16 of 2020: Maximum Limits on Transaction Value and Fees of Common Electronic Fund Transfer Switch		134
89 Payment and Settlement Systems Circular No. 17 of 2020: Amendment to the Daily Operating Schedule of the LankaSettle System	34/07/029/0001/002	135
90 Payment and Settlement Systems Circular No. 17 of 2020: Special Daily Operating Schedule of the LankaSettle System for 05.08.2020	34/07/029/0001/002	137
91 Payment and Settlement Systems Circular No. 18 of 2020: Revision of transaction fees of LankaSettle system and extension of cut-off time for accepting customer transactions		138
92 Circular No. 02 of 2019 Establishment of a National Quick Response Code Standard for Local Payments – Addendum 2	34/01/025/0038/001	139
93 Payment and Settlement Systems Circular No. 19 of 2020: Liability Manager (LM) Limits in LankaPay Common ATM Switch (CAS) and LankaPay Common Electronic Fund Transfer Switch (CEFTS)		140
94 Payment and Settlement Systems Circular No. 20 of 2020: Maximum Limits on Transaction Value and Fees of Common Electronic Fund Transfer Switch		141
Regional Development		
95 Amendment to the Operating Instructions of Self-Employment Promotion Initiative Loan Scheme Phase II (SEPI - Phase II)	RDD/SEPI/2016/01 (A-03)	142
96 Credit Guarantee Scheme for Working Capital Loans to be granted to the Small and Medium Scale Entrepreneurs	RDD/CSS/WCL/ CG/2020/01	144

	Ref. No.	Page
97 Addendum to the Operating Instructions for Introducing New Refinance Facility for the Micro, Small and Medium sector Enterprises (MSMEs) adversely affected by the COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme ("Saubagya COVID-19 Renaissance Facility")	RDD/PR-COVID19/ 2020/01	148
98 Addendum to the Operating Instructions for Introducing New Refinance Facility for the Micro, Small and Medium sector Enterprises (MSMEs) adversely affected by the COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme: ("Saubagya COVID-19 Renaissance Facility") - Operating Instructions-	RDD/PR-COVID19/ 2020/02	158
99 Amendment to the Operating Instructions of the New Comprehensive Rural Credit Scheme. (NCRCS)	RDD/NCRCS/2011	169
100 Amendments to the Operating Instructions of "Saubagya COVID-19 Renaissance Facility"	RDD/PR-COVID19/ 2020/01 (A-01)	170
101 Amendments to the Operating Instructions of Introducing New Refinance Facility for the Micro, Small and Medium sector Enterprises (MSMEs) adversely affected by the COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme: "Saubagya COVID-19 Renaissance Facility."	RDD/PR-COVID19/ 2020/02 (A-01)	171
102 "Saubagya COVID 19 Renaissance Facility"-Operational Guide Line: 01	32/04/011/0001/002	172
103 Addendum to the Operating Instructions of the Saubagya COVID-19 Renaissance Facility	RDD/PR-COVID19/ 2020/03	173
104 Amendments to the Operating Instructions of "Saubagya COVID-19 Renaissance Facility"	RDD/PR-COVID 19/ 2020/01 - (A-02) & RDD/PR-COVID 19/ 2020/02 - (A-02)	175
105 Operating Instructions for Implementing a Credit Guarantee and Interest Subsidy Scheme for Businesses affected by the COVID-19 Pandemic	RDD/CGIS/WCL/2020/01	176
106 Amendment to the Operating Instructions of the Prosperity Loan Scheme (Saubagya) Reduction of the interest rate applied for sub-loans	RDD/PR/2010/03 (A-05)	181
107 Saubagya COVID 19 Renaissance Facility		181
108 Amendment to the Operating Instructions of "Saubagya COVID-19 Renaissance Facility"	RDD/PR-COVID19/ 2020/03 and 04 (A-01)	182
109 Amendment to the Operating Instructions of "Saubagya COVID-19 Renaissance Facility"	RDD/PR-COVID19/ 2020/03 and 04 (A-02)	183
110 Amendment to the Operating Instructions of "SWASHAKTHI – Towards One Million Jobs": Loan Scheme	RDD/SWASHAKTHI/ 2017/01 (A-02)	184
111 Grant of Loans to Private Bus Owners in public transport for meeting bus repair expenses under the Saubagya COVID – 19 Renaissance Facility – Phase III – Credit Guarantee and Interest Subsidy Scheme	32/04/011/0001/002	185
112 Amendments to the Operating Instructions of "Saubagya COVID-19 Renaissance Facility"	RDD/PR-COVID-19/ 2020/01 - 02 (A-03)	186
113 Amendments to the Operating Instructions of "Saubagya COVID-19 Renaissance Facility"	RDD/PR-COVID I9/ 2020/03-04 (A-03)	186
114 Amendment to Operating Instructions for the 4P Loan Schemes under Smallholder Agribusiness Partnerships Programme (SAPP)	RDD/SAPP/4P/2019/01 (Amendment - 01)	187
115 Amendment to Operating Instructions for the RF Loan Schemes under Smallholder Agribusiness Partnerships Programme (SAPP)	RDD/SAPP/RF/2019/01 (Amendment - 01)	199

	Ref. No.	Page
Supervision of Non-Bank Financial Institutions		
116 Finance Business Act Direction No. 01 of 2020: Classification and Measurement of Credit Facilities		212
117 Finance Leasing Act Directions No. 01 of 2020: Classification and Measurement of Credit Facilities		215
118 Circular No. 01 of 2020: Credit Support to Accelerate Economic Growth		218
119 Circular No. 04 of 2020: Relief Measures to Assist Covid-19 Affected Businesses and Individuals		220
120 Explanatory Note No. 01 Of 2020: Interpretations for Circular No. 04 of 2020 on Relief Measures to Assist Covid-19 Affected Businesses and Individuals		220
121 Circular No. 05 of 2020: Rupees 50 Billion, Six-Month Re-Financing Facility to Support Covid-19 Hit Businesses Including Self Employment and Individuals		221
122 Finance Business Act Direction No. 02 of 2020: Amendments to Directions on Liquid Assets		223
123 Finance Leasing Act Directions No. 02 of 2020: Amendments to Directions on Liquid Assets		224
124 Explanatory Note No. 02 of 2020: Interpretations for Circular No. 04 of 2020 on Relief Measures to Assist Covid-19 Affected Businesses and Individuals and Circular No. 05 of 2020 on Rupees 50 Billion, Six-Month Re-Financing Facility to Support Covid-19 Hit Businesses including Self Employment and Individuals		225
125 Finance Business Act Directions No. 03 of 2020: Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in Respect of Motor Vehicles		225
126 Finance Leasing Act Directions No. 03 of 2020: Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in Respect of Motor Vehicles		226
127 Finance Business Act Directions No. 04 of 2020: Amendments to The Maximum Interest Rates on Deposits and Debt Instruments		226
128 Explanatory Note No. 03 of 2020: Interpretations for Circular No. 04 of 2020 on Relief Measures to Assist Covid-19 Affected Businesses and Individuals and Circular No.5 of 2020 on Rupees 50 Billion, Six-Month Re-Financing Facility to Support Covid-19 Hit Businesses Including Self Employment and Individuals		227
129 Explanatory Note No. 04 of 2020: Amendments to Explanatory Note No. 03 of 2020 for Circular No. 04 of 2020 on Relief Measures to Assist Covid-19 affected Businesses and Individuals and Circular No.5 of 2020 on Rupees 50 billion, Six-month Re-financing Facility to Support Covid-19 hit Businesses including Self-employment and Individuals		233
130 Finance Business Act Directions No. 05 of 2020: Amendment to the Corporate Governance Direction		234
131 Finance Leasing Act Directions No. 04 of 2020: Amendment to the Corporate Governance Direction		237
132 Finance Business Act Directions No. 06 of 2020: Business Expansion and Operations		240
133 Circular No. 07 of 2020: Relief Measures to Assist Covid-19 Affected Businesses and Individuals		248
134 Finance Leasing Act Directions No. 05 of 2020: Business Expansion and Operations		249

	Ref. No.	Page
135 Circular No. 09 of 2020: Extension of Debt Moratorium for Covid-19 Affected Businesses and Individuals in the Tourism Industry		255
136 Finance Leasing Act Directions No. 06 of 2020: Amendments to Directions on Liquid Assets		261
137 Finance Business Act Directions No. 07 of 2020: Amendments to Directions on Liquid Assets		261
138 Circular No. 11 of 2020: Debt Moratorium for COVID-19 Affected Businesses and Individuals		262
139 Circular No. 12 of 2020: Amendment to Circular No. 11 of 2020 on Debt Moratorium for COVID-19 Affected Businesses and Individuals		263
140 Finance Business Act Guidelines No. 01 of 2020: Prompt Corrective Action Framework for Licensed Finance Companies		264
141 Finance Business Act Directions No. 08 of 2020: Maximum Percentage Limits of Share Capital of Licensed Finance Companies		273

Circular No.01 of 2020

13 January 2020

CREDIT SUPPORT TO ACCELERATE ECONOMIC GROWTH

With a view to accelerating economic growth in the country and based on discussions held with the Hon. Prime Minister and the Minister of Finance, officials of the Office of the President, Office of the Prime Minister and Ministry of Finance, the licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), have agreed to provide a special credit support scheme to eligible Small and Medium Enterprise borrowers of respective licensed banks during 01.01.2020 to 31.12.2020 to complement the fiscal incentives already announced by the Government.

Based on the discussions the Central Bank of Sri Lanka (CBSL) had with the licensed banks, it is observed that the proposed scheme may not cause an undue level of stress or threaten the stability of the banking system. Accordingly, this Circular sets out the guidelines for giving effect to the Scheme in a consistent manner across licensed banks.

1. General Terms and Conditions
 - (i) Eligible Participants: Small and Medium Enterprises (SMEs) engaged in business sectors specified in para (ii) below that have obtained credit facilities from licensed banks. For the purpose of this scheme, SMEs shall mean borrowers with an annual turnover between Rs. 16 mn to Rs. 750 mn for the year ended 31.12.2019.
 - (ii) The supported business sectors shall be manufacturing, services, agriculture (including processing) and construction. For the avoidance of doubt, import facilities for imports other than importation of machinery and equipment are excluded from the scheme. Facilities for importation of vehicles shall not be permitted.
 - (iii) Credit facilities to be supported under this scheme shall be business related term loans, leasing facilities, overdrafts and trade finance facilities denominated in Rupees subject to the requirements specified below.
 - (iv) Licensed banks shall offer the credit support scheme to all eligible borrowers upon a written request being made by such borrowers on or before 31.01.2020 and operationalise the scheme by 31.03.2020.
 - (v) During the period of the credit support scheme, borrowers shall be required to continue to service the interest due on credit facilities considered under this scheme in a timely manner in accordance with the conditions applicable to this scheme.
 - (vi) Borrowers who fail to service interest as required in para (v) above will not be entitled to enjoy the benefits of this scheme and will be considered as non-participants of this scheme.
 - (vii) The operational details of the Scheme are as set out in sections 2 to 6 of this Circular.
2. Performing Loans
 - (i) Eligible borrowers with aggregate outstanding fund based exposure of up to Rs. 300 mn as at 31.12.2019 with a licensed bank may avail of the concessions under this scheme from such licensed bank.
 - (ii) Upon a written request being made by a borrower on or before 31.01.2020, licensed banks shall offer a capital moratorium during 01.01.2020 to 31.12.2020 in respect of all eligible Rupee term loans.
 - (iii) Licensed banks shall extend the existing tenure of loans eligible for capital moratorium by the moratorium period without increasing the value of instalments.
 - (iv) During the period of deferment, the interest shall be charged on the contracted basis without any penal component.
 - (v) Permanent overdraft facilities falling due for settlement or maturing or are reviewed during the period up to 31.03.2020, shall be extended up to 30.06.2020.

- (vi) Eligible trade finance facilities falling due for settlement or maturing or are under review during the period up to 31.03.2020, shall be extended by 30 days.
 - (vii) Licensed banks may grant an additional loan or a new loan facility not exceeding Rs. 300 mn per bank per borrower provided that the borrower submits a credible business plan subject to the following conditions:
 - (a) The loan facility shall be repaid over five years at an interest rate equal to AWPLR to expand business activities.
 - (b) A maximum grace period of one year may be considered for such loans.
 - (c) Licensed banks may obtain suitable collateral to mitigate the risk relating to any additional credit facilities granted under this scheme.
 - (viii) Concessions already granted under different relief schemes and which are due to expire before 31.12.2020, will be extended up to 31.12.2020. However, such borrowers shall be required to comply with the requirements of this scheme.
 - (ix) Licensed banks may consider inclusion of borrowers whose total borrowings exceed Rs. 300 mn, on case-by-case basis, upon a written request from such borrower.
3. Non-Performing Loans (NPLs)
- (i) Eligible SMEs which are in the NPL category as at 31.12.2019, including those where the banks have commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990, will be eligible to avail of the concessions set out below upon a written request from such borrowers on or before 31.01.2020.
 - (ii) The total penal component of interest accrued and unpaid on NPL loans and advances referred above shall be waived by licensed banks at their cost.
 - (iii) Rescheduling of loans and advances shall be as follows:
 - (a) Where the borrower has repaid 50% or more of the initial capital, 50% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the licensed bank under this scheme, shall be deferred and the balance capital and interest shall be rescheduled. The deferred interest shall be waived by the licensed banks, after the borrower settles the rescheduled loan in the manner provided in para (c) and (d) below.
 - (b) Where the borrower has repaid less than 50% of the initial capital, 25% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the licensed bank under this scheme, shall be deferred and the balance capital and interest shall be rescheduled. The deferred interest shall be waived by the licensed banks, after the borrower settles the rescheduled loan in the manner provided in para (c) and (d) below.
 - (c) The rescheduled loan referred in para (a) and (b) above shall be repaid over a period not exceeding twice the remaining number of instalments of the original loan.
 - (d) A one-year grace period shall be granted for capital repayment of loans referred in para (c) above. However, borrowers will be required to service interest in a timely manner.
 - (iv) Licensed banks shall subject to para (d) below, grant a new working capital loan (or temporary progressively reducing overdraft facility) for SMEs which are in the NPL category as follows, to revive businesses:
 - (a) Maximum amount to be three months working capital requirement with a maximum tenure of six months.

- (b) A three-month moratorium shall be granted for the repayment of capital of such loan or overdraft, provided however that interest shall be serviced in a timely manner.
 - (c) Interest rate for this loan shall not be more than 2% plus the prevailing Standing Lending Facility Rate.
 - (d) The new working capital loan is included in a credit guarantee scheme administered by CBSL as mentioned in para 5 below.
 - (v) Licensed banks shall defer passing new resolutions under the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990 for recovery of loans and advances until 31.12.2020 in respect of borrowers participating in this scheme. In instances where resolutions for recovery have already been passed, auctioning of assets will be deferred until 31.12.2020 in respect of such borrowers who are participants in the Scheme and meet the requirements of the Scheme. Failure to adhere to the requirements will result in the banks treating such borrowers as non-participants of this scheme.
 - (vi) In instances where there are on-going litigations in courts relating to recovery, borrowers will be permitted to participate in the Scheme upon entering into an agreement in Court with regard to the requirements set out in this scheme.
 - (vii) Licensed banks shall suspend legal action against non-performing borrowers who have been accepted under this scheme.
4. Repayment of Capital by Banks under Refinance Schemes
- (i) The Government has indicated its willingness to defer capital repayments on refinance loans granted to licensed banks falling due from 01.01.2020 until 31.12.2020 and extend the final repayment date by 12 months. However, banks are required to seek such extension if required and enter into supplementary agreements with the relevant Government agency in this regard.
5. Credit Guarantee Scheme
- (i) The Government and CBSL will formulate a Credit Guarantee Scheme to provide risk mitigation arising from any additional loans and advances for up to 75% of the capital sum granted by licensed banks under para 3 (iv) of this circular.
 - (ii) The Guarantee fee applicable will be 1% per annum and will be borne by licensed banks if they wish to avail of the Guarantee.
6. Reporting to the Credit Information Bureau (CRIB)
- (i) Licensed banks are expected to have a mechanism not to decline loan applications solely based on an adverse CRIB record.
 - (ii) Licensed banks, in consultation with CRIB, shall develop a reporting modality in respect of the capital deferment granted under this scheme to performing borrowers, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

(Mrs.) V A A N De Silva
Director of Bank Supervision

Circular No. 02 of 2020

30 January 2020

CREDIT SUPPORT TO ACCELERATE ECONOMIC GROWTH

With a view to accelerating economic growth in the country and based on discussions held with the Hon. Prime Minister and the Minister of Finance, officials of the Office of the President, Office of the Prime Minister and Ministry of Finance, the licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), have agreed to provide a special credit support scheme to eligible Small and Medium Enterprise borrowers of respective licensed banks during 01.01.2020 to 31.12.2020 to complement the fiscal incentives already announced by the Government.

Based on the discussions the Central Bank of Sri Lanka (CBSL) had with the licensed banks, it is observed that the proposed scheme may not cause an undue level of stress or threaten the stability of the banking system. Accordingly, this Circular sets out the guidelines for giving effect to the Scheme in a consistent manner across licensed banks.

1. General Terms and Conditions
 - (i) Eligible Participants: Small and Medium Enterprises (SMEs) engaged in business sectors specified in para (ii) below that have obtained credit facilities from licensed banks. For the purpose of this scheme, SMEs shall mean borrowers with an annual turnover between Rs. 16 mn to Rs. 750 mn for the year ended 31.12.2019. However, in the case of SMEs which are in the NPL category as at 31.12.2019, the lower limit of annual turnover, i.e., Rs. 16 mn, shall not apply.
 - (ii) The supported business sectors shall be manufacturing, services, agriculture (including processing) and construction. For the avoidance of doubt, import facilities for imports other than importation of machinery and equipment are excluded from the scheme. Facilities for importation of vehicles shall not be permitted. However, in the case of SMEs which are in the NPL category as at 31.12.2019, the business sectors supported under this scheme shall also include value addition businesses and trading.
 - (iii) Credit facilities to be supported under this scheme shall be business related term loans, leasing facilities, overdrafts and trade finance facilities denominated in Rupees subject to the requirements specified below.
 - (iv) Licensed banks shall offer the credit support scheme to all eligible borrowers upon a written request being made by such borrowers on or before 10.02.2020 and operationalise the scheme by 31.03.2020.
 - (v) During the period of the credit support scheme, borrowers shall be required to continue to service the interest due on credit facilities considered under this scheme in a timely manner in accordance with the conditions applicable to this scheme.
 - (vi) Borrowers who fail to service interest as required in para (v) above will not be entitled to enjoy the benefits of this scheme and will be considered as non-participants of this scheme. Accordingly, licensed banks may initiate appropriate risk mitigation processes.
 - (vii) The operational details of the Scheme are as set out in sections 2 to 6 of this Circular.
2. Performing Loans
 - (i) Eligible borrowers with aggregate outstanding fund based exposure of up to Rs. 300 mn as at 31.12.2019 with a licensed bank may avail of the concessions under this scheme from such licensed bank.
 - (ii) Upon a written request being made by a borrower on or before 10.02.2020, licensed banks shall offer a capital moratorium during 01.01.2020 to 31.12.2020 in respect of all eligible Rupee term loans.
 - (iii) Licensed banks shall extend the existing tenure of loans eligible for capital moratorium by the moratorium period without increasing the value of instalments.
 - (iv) During the period of deferment, the interest shall be charged on the contracted basis without any penal component.
 - (v) Permanent Overdraft facilities falling due for settlement or maturing or are reviewed during the period up to 31.03.2020, shall be extended up to 30.06.2020. However, in the case of Temporary Overdraft facilities as at 31.12.2019, the expiry of Temporary Overdraft limits shall be extended by two months.
 - (vi) Eligible trade finance facilities falling due for settlement or maturing or are under review during the period up to 31.03.2020, shall be extended by 30 days.
 - (vii) Licensed banks may grant an additional loan or a new loan facility not exceeding Rs. 300 mn per bank per borrower for investment or working capital purposes, provided that the borrower submits a credible business plan subject to the following conditions:

- (a) The investment purpose loan facility shall be repaid over five years at an interest rate equal to maximum of AWPLR plus 1.5% to expand business activities.
 - (b) The working capital purpose loan facility shall be repaid over two years at an interest rate equal to AWPLR.
 - (c) A maximum grace period of one year may be considered for such loans.
 - (d) Licensed banks may obtain suitable collateral to mitigate the risk relating to any additional credit facilities granted under this scheme.
 - (viii) Concessions already granted under different relief schemes and which are due to expire before 31.12.2020, will be extended up to 31.12.2020. However, such borrowers shall be required to comply with the requirements of this scheme.
 - (ix) Licensed banks may consider inclusion of borrowers whose total borrowings exceed Rs. 300 mn, on case-by-case basis, upon a written request from such borrower.
3. Non-Performing Loans (NPLs)
- (i) Eligible SMEs which are in the NPL category as at 31.12.2019, including those where the banks have commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990, will be eligible to avail of the concessions set out below upon a written request from such borrowers on or before 10.02.2020.
 - (ii) The total penal component of interest accrued and unpaid on NPL loans and advances referred above shall be waived by licensed banks at their cost.
 - (iii) Rescheduling of loans and advances shall be as follows:
 - (a) Where the borrower has repaid 50% or more of the initial capital, 50% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the licensed bank under this scheme shall be deferred. The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled. The deferred interest shall be waived by the licensed banks, after the borrower settles the rescheduled loans in the manner provided in para (c) and (d) below.
 - (b) Where the borrower has repaid less than 50% of the initial capital, 25% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the licensed bank under this scheme shall be deferred. The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled. The deferred interest shall be waived by the licensed banks, after the borrower settles the rescheduled loans in the manner provided in para (c) and (d) below.
 - (c) The balance capital outstanding referred in para (a) and (b) above shall be rescheduled and repaid over a period not exceeding twice the remaining number of instalments of the original loan. An example is provided in Annex I
 - (d) The balance portion of interest of the defaulted instalments and the future interest referred in para (a) and (b) above shall be rescheduled and repaid over a period not exceeding twice the remaining number of instalments of the original loan. An example is provided in Annex I
 - (e) A one-year grace period shall be granted for capital repayment of loans referred in para (c) above. However, borrowers will be required to service interest referred in para (d) in a timely manner.

- (iv) Licensed banks shall subject to para (d) below, grant a new working capital loan (or temporary progressively reducing overdraft facility) for SMEs which are in the NPL category as follows, to revive businesses:
 - (a) Maximum amount to be three months working capital requirement with a maximum tenure of six months.
 - (b) A three-month moratorium shall be granted for the repayment of capital of such loan or overdraft, provided however that interest shall be serviced in a timely manner.
 - (c) Interest rate for this loan shall not be more than 2% plus the prevailing Standing Lending Facility Rate.
 - (d) The new working capital loan is included in a credit guarantee scheme administered by CBSL as mentioned in para 5 below.
 - (v) Licensed banks shall defer passing new resolutions under the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990 for recovery of loans and advances until 31.12.2020 in respect of borrowers participating in this scheme. In instances where resolutions for recovery have already been passed, auctioning of assets will be deferred until 31.12.2020 in respect of such borrowers who are participants in the Scheme and meet the requirements of the Scheme. Failure to adhere to the requirements will result in the banks treating such borrowers as non-participants of this scheme.
 - (vi) In instances where there are on-going litigations in courts relating to recovery, borrowers will be permitted to participate in the Scheme upon entering into an agreement in Court with regard to the requirements set out in this scheme.
 - (vii) Licensed banks shall suspend legal action against non-performing borrowers who have been accepted under this scheme.
- 4. Repayment of Capital by Banks under Refinance Schemes
 - (i) The Government has indicated its willingness to defer capital repayments on refinance loans granted to licensed banks falling due from 01.01.2020 until 31.12.2020 and extend the final repayment date by 12 months. However, banks are required to seek such extension if required and enter into supplementary agreements with the relevant Government agency in this regard.
- 5. Credit Guarantee Scheme
 - (i) The Government and CBSL will formulate a Credit Guarantee Scheme to provide risk mitigation arising from any additional loans and advances for up to 75% of the capital sum granted by licensed banks under para 3 (iv) of this circular.
 - (ii) The Guarantee fee applicable will be 1% per annum and will be borne by licensed banks if they wish to avail of the Guarantee.
- 6. Reporting to the Credit Information Bureau (CRIB)
 - (i) Licensed banks are expected to have a mechanism not to decline loan applications solely based on an adverse CRIB record.
 - (ii) Licensed banks, in consultation with CRIB, shall develop a reporting modality in respect of the capital deferment granted under this scheme to performing borrowers, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.
- 7. Reporting Requirement

Licensed banks shall report the details of moratorium availed by borrowers to the Director of Bank Supervision as at 15th and 30th of each month, within 5 working days commencing from 01.02.2020.
- 8. Revocation of the Circular

The Circular No. 01 of 2020 on Credit Support to Accelerate Economic Growth is hereby revoked.

(Mrs.) V A A N De Silva
Director of Bank Supervision

Annex 01 of this Circular can be accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_02_of_2020_0.pdf

Circular No. 03 of 2020

04 March 2020

RECOVERY OF ACCOMMODATION TO EXPORTERS

Further to our Circular dated 03 August 2015 on the above subject, licensed commercial banks (LCBs) are informed of the following.

- (i) The Central Bank of Sri Lanka has decided to extend the maximum period for the settlement of export credit facilities out of export proceeds to 180 days from the date of shipment.
- (ii) This Circular shall come into operation with effect from 01 March 2020.

(Mrs.) V A A N De Silva
Director of Bank Supervision

Banking Act Directions No. 01 of 2020

19 March 2020

MEASURES TO CURTAIL IMPORTS AND FOREIGN CURRENCY INVESTMENTS

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

In terms of Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed commercial bank and licensed specialised bank, respectively, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.

The Central Bank of Sri Lanka with a view to easing the pressure on the exchange rate and the stress on financial markets due to the impact of COVID-19 outbreak, requires licensed commercial banks and National Savings Bank, to adopt the following measures during the next three months.

1. Suspend facilitating importation of:
 - a. motor vehicles, other than items specified in Schedule A of Annex I, under Letters of Credit, and
 - b. non-essential goods specified in Schedule B of Annex I under Letters of Credit, Documents Against Acceptance and Advance Payment.
2. Suspend the purchase of Sri Lanka International Sovereign Bonds.

These Directions shall be implemented with immediate effect.

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex 1 of this Direction can be accessed through the following link:

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_directions_no_1_of_2020_e.pdf

Circular No. 04 of 2020

24 March 2020

RELIEF MEASURES TO ASSIST COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

In line with the decision taken by the Cabinet of Ministers at the Cabinet meeting held on 20.03.2020 on the Direction issued by His Excellency the President to provide relief measures to assist businesses and individuals who are adversely affected by the prevailing Covid-19 outbreak, the Central Bank of Sri Lanka hereby issues this Circular to the licensed commercial banks, licensed specialised banks and leasing companies, hereinafter referred to as financial institutions.

1. All such financial institutions shall implement a debt moratorium (on capital and interest) as follows:
 - a. A six-month moratorium on the leasing rentals of all three-wheelers, school vans, lorries, small goods transport vehicles and buses operated by the self-employed;
 - b. A moratorium until 30.05.2020 on personal loans granted to all private sector non-executive employees;
 - c. A three-month moratorium for all personal loans and leasing rentals of value less than Rs. 1 million; and
 - d. A six-month debt moratorium for affected industries in small & medium enterprises, tourism, apparel, plantation, IT and related logistic service providers.

2. Financial institutions shall provide working capital requirements at an interest rate of 4% and waive-off interest payments for at least 6 months for sectors in item 1(d) above. An interest subsidy will be included in refinance.
3. Financial institutions are required to accommodate customers to submit loan applications for items 1 and 2 above until 30.04.2020 and financial institutions are required to finalise the same within 45 days.
4. Financial institutions shall charge a maximum interest rate of 15 per cent on local credit card transactions of value up to Rs. 50,000; the minimum monthly payment on credit cards shall be reduced by 50 percent; and repayment of all credit cards below the limit of Rs. 50,000 to be extended until 30.04.2020.
5. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,000 until 30.04.2020.
6. All branches of licensed banks shall be kept open from 8.00 a.m. to 1.00 p.m. on non-curfew days with a minimum number of employees, and the corporate branches shall be kept open during curfew days to facilitate international transactions relating to food, medicine, travel and other customers.
7. Detailed instructions on foregoing shall be issued on 27.03.2020.

Prof. W D Lakshman
**Chairman of the Monetary Board and Governor
 of the Central Bank of Sri Lanka**

FAQs of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_2_of_2020_s.pdf
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_3_of_2020_e1.pdf
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_4_of_2020_e.pdf

Circular No. 05 of 2020

27 March 2020

RUPEES 50 BILLION, SIX-MONTH RE-FINANCING FACILITY TO SUPPORT COVID-19 HIT BUSINESSES INCLUDING SELF EMPLOYMENT AND INDIVIDUALS

1. Introduction
 - (i) The Central Bank of Sri Lanka has decided to set up the above Re-financing Facility in order to implement the decisions taken by the Cabinet of Ministers on 20.03.2020 to introduce a wide range of fiscal and financial concessions for COVID-19 hit business activities including self-employment businesses and individuals. Among these concessions are debt moratorium (capital and interest) and a working capital loan at the interest rate of 4% p.a. for eligible customers.
 - (ii) The licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies (hereinafter referred to as Financial Institutions) will be eligible to participate in this re-financing facility to support COVID-19 hit businesses including self-employment businesses and individuals commencing 25.03.2020.
 - (iii) This Circular is issued to supplement the Circular No. 04 of 2020 dated 24.03.2020 and sets out the operational guidelines to give effect to the re-financing facility.
2. General Terms and Conditions of the Financing Facility
 - (i) Eligible businesses/sectors:
 - (a) Tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation and related logistic suppliers that have been adversely affected by work disruption and overseas lockdowns resulting from COVID – 19.
 - (b) 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.
 - (c) Self-employment businesses and individuals who have lost their jobs or income due to the outbreak of COVID-19.
 - (d) Foreign currency earners (individuals and corporates) who have to repay loans in foreign currency and whose incomes/ businesses have been adversely affected due to the outbreak of COVID-19.
 - (ii) For the avoidance of doubt, import facilities shall not be permitted under this re-finance facility, for imports other than pharmaceutical drugs, medical equipment, food, fertilizer and essential raw materials and machinery and equipment.

- (iii) Credit facilities to be supported under this Financing Scheme shall be term loans, leasing facilities, pawning, overdrafts and trade finance facilities denominated in Rupees and foreign currency subject to the requirements specified.
- (iv) Financial institutions shall offer concessions under this Scheme to all borrowers who have been affected by work disruption due to COVID – 19 and overseas lockdowns and requested relief through online facilities or other communication arrangements before 30.04.2020. The financial institutions shall complete processing of such requests within 45 days from the date of receipt of the request. Until the processing of requests is concluded recovery of loans from the respective applicants shall be suspended.

3. Concessions for Existing Performing Loans as at 25.03.2020

- (i) Upon a communication by a borrower requesting concessions under this scheme on or before 30.04.2020, the financial institutions shall offer a debt moratorium for the period as given below in respect of all eligible Rupee and foreign currency term loans.
 - (a) A six-month debt moratorium on the leasing rentals of all three-wheelers, school vans, lorries, small goods transport vehicles and buses, and related assets such as motor bikes and taxis operated by the self-employed/ owners.
 - (b) A debt moratorium until 30.05.2020 on personal loans granted to all private sector non-executive employees.
 - (c) A three-month debt moratorium for all personal loans and leasing rentals of value less than Rs. 1 million.
 - (d) A six-month debt moratorium for affected industries in small & medium enterprises, tourism, apparel, plantation, IT and related logistic service providers.
 - (e) A six-month debt moratorium for all other eligible businesses/sectors specified under 2 (i) above.
- (ii) Financial institutions shall extend the existing tenure of loans eligible for debt moratorium by the respective moratorium period.
- (iii) Permanent Overdraft facilities falling due for settlement or maturing or are reviewed during the period up to 25.03.2020 shall be extended up to 30.09.2020. However, in the case of Temporary Overdraft facilities as at 25.03.2020, the expiry shall be extended by two months for eligible borrowers. Interest rate on such facilities will be capped at 13 percent during the extended period.
- (iv) Eligible trade finance facilities falling due for settlement or maturing or were under review during the period up to 25.03.2020 shall be extended up to 30.09.2020.
- (v) Pawning facilities falling due for settlement or maturing during the period up to 25.03.2020 shall be extended up to 30.09.2020.

4. Concessions for Existing Non-Performing Loans (NPLs) as at 25.03.2020

- (i) The penal interest charged up to 25.03.2020 shall be waived off by the concerned financial institutions.
- (ii) Rescheduling of loans and advances shall be as follows:
 - (a) Where the borrower has repaid 50% or more of the initial capital, 50% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the concerned financial institutions under this re-financing facility shall be deferred. The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled over a 3-year period. The deferred interest shall be waived by the financial institution, after the borrower settles the rescheduled loans in the manner provided in para (c) and (d) below.
 - (b) Where the borrower has repaid less than 50% of the initial capital, 25% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the financial institution under this re-financing facility shall be deferred. The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled over a 3 year period. The deferred interest shall be waived by the financial institutions concerned, after the borrower settles the rescheduled loans in the manner provided in para (c) and (d) below.
 - (c) The balance capital outstanding referred to in paragraphs (a) and (b) above shall be rescheduled and repaid over a period of 3 years.
 - (d) The balance portion of interest of the defaulted instalments and the future interest referred to in paragraphs (a) and (b) above shall be transferred to a suspense account and recovered over a period of 3 years.
 - (e) A moratorium up to 30.09.2020 shall be granted.

- (f) Licensed banks may reclassify NPLs under this Scheme as performing loans and advances provided that the borrower has serviced interest for six consecutive months during the debt moratorium period, if required. However, in the case of instalments in arrears before rescheduling the NPL facility is less than six months, upgrading to performing category shall be done only after the borrower has serviced interest for a period equal to instalments in arrears before rescheduling the NPL facility.

(iii) Suspension of recovery actions

- (a) In the case of eligible borrowers who are in the NPL category as at the date of this Circular, if financial institutions have commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990 or Mortgage Act No. 06 of 1949 as amended or Finance Leasing Act No. 56 of 2000, such recovery action will be suspended on condition that the concerned financial institution and the client reach a debt re-payment agreement.
- (b) Financial institutions shall defer passing new resolutions under the above Acts, for recovery of loans and advances in respect of borrowers participating in this Scheme. In instances where resolutions for recovery have already been passed, auctioning of assets will be suspended until 30.09.2020 in respect of such borrowers who are participants in the Scheme.
- (c) In instances where there are on-going litigations in courts relating to recovery, borrowers will be permitted to participate in the Scheme upon entering into an agreement by submission of affidavit to Courts agreeing to comply with the requirements set out in this Scheme. In instances where there are on-going litigations in courts relating to recovery, borrowers will be permitted to participate in the Scheme upon entering into an agreement by submission of affidavit to Courts agreeing to comply with the requirements set out in this Scheme.
- (d) All financial institutions shall suspend legal action against non-performing borrowers who have been accepted under this Scheme.

5. New Working Capital or Investment Purpose Loan

- (i) Financial institutions may grant an additional loan or a new loan facility in Rupees for working capital or investment purposes subject to the following conditions, provided that the borrower submits a credible business plan:
 - (a) The working capital purpose loan facility shall be granted to eligible performing and non-performing borrowers in Rupees not exceeding 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, based on the requirement for working capital cycle. Such loan shall be repaid over two years at an interest rate equal to 4% p.a. CBSL will subsidise interest cost up to 4% for licensed banks and up to 7% for other financial institutions as a rebate.
 - (b) The investment purpose loan facility shall be granted only by banks and only for performing borrowers in Rupees not exceeding Rs. 300 mn per bank per borrower to expand business activities. Such loan shall be repaid over five years at an interest rate equal to maximum of AWPLR plus 1.5%.
- (ii) Financial institutions shall properly evaluate the funding requirement of the borrower and agree on the loan size.
- (iii) A moratorium for a period 25.03.2020 to 30.09.2020 will be granted for both working capital loans and investment loans.
- (iv) Financial institutions may obtain suitable collateral to mitigate the risk relating to any additional credit facilities granted under this re-finance facility.

6. Repayment of Capital by Banks under Refinance Schemes

The Government has indicated its willingness to defer capital repayments on refinance loans granted to licensed banks falling due from 01.01.2020 until 31.12.2020. However, banks are required to seek extension if required and enter into supplementary agreements with the relevant Government agency in this regard.

7. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- (i) Financial Institutions are expected to have a mechanism not to decline loan applications solely based on an adverse CRIB record.
- (ii) Financial Institutions, in consultation with CRIB, shall develop a reporting modality in respect of the capital deferment granted under this scheme to performing borrowers, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

8. Financial institutions shall discontinue charging for cheque returns, stop payments, late payment fee on all credit cards and other credit facilities during the period up to 30.09.2020.
9. Reporting Requirement

Financial institutions shall report the details of moratorium availed by their borrowers to the Bank Supervision Department and the Department of Supervision of Non-bank Financial Institutions, as relevant, as at 15th and 30th of each month, within 5 working days, commencing from 01.05.2020.

FAQs of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_2_of_2020_s.pdf

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_3_of_2020_e1.pdf

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_4_of_2020_e.pdf

27 March 2020

To - All Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

Dear Chief Executive Officers

EXTRAORDINARY REGULATORY MEASURES TAKEN BY THE CENTRAL BANK OF SRI LANKA TO PROVIDE FLEXIBILITY TO LICENSED BANKS TO SUPPORT BUSINESSES AND INDIVIDUALS AFFECTED BY THE OUTBREAK OF CORONAVIRUS DISEASE (COVID-19)

The Monetary Board of the Central Bank of Sri Lanka after assessing the safety and soundness of the banking sector, decided to introduce extraordinary regulatory measures to be implemented by licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) considering the imminent need to provide flexibility to licensed banks to support businesses and individuals affected by the outbreak of COVID-19, in this exceptional situation.

Accordingly, the extraordinary regulatory measures approved by the Monetary Board are set out below to provide further space for licensed banks to assist the affected parties on an urgent basis. The details of these Extraordinary Measures are annexed.

1. Permit Domestic Systemically Important Banks (D-SIBs) and non D-SIBs to draw-down their Capital Conservation Buffers by 100 bps and 50 bps out of the total of 250 bps, respectively.
2. Allow classification of non-performing loans and recovery of foreign currency loans:
 - (a) Permit licensed banks to provide additional 60-day period to settle loans and advances which are becoming past due during March 2020 and permit licensed banks to not to consider such facilities as past due facilities until the end 60-day concessionary period with respect to borrowers who are not entitled to any other concessions.
 - (b) Allow licensed banks to consider all changes made to payment terms and loan contracts from 16.03.2020 to 30.06.2020, due to challenges faced by customers amidst COVID-19 outbreak as modifications to loans and advances instead of restructuring of loans and advances for classification of loans & advances and the computation of impairment.
 - (c) 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 exceed 30% of total credit facilities.
 - (d) Permit converting and recovery of loans in foreign currency to Rupee denominated loans, where necessary, subject to banks ensuring that borrowers do not get an undue advantage at the cost of country's foreign reserves or cause pressure on the exchange rate and maintaining proper documentations.
3. Defer the enhancement of capital by licensed banks, which are yet to meet the minimum capital requirement of end 2020, until end 2022. Such banks will need to restrict cash dividend distribution to 25 per cent of distributable profits in respect of financial Years 2019 and 2020 to preserve and build up capital.
4. Reset the timelines for rectification of supervisory concerns/findings, if necessary, prioritizing on 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 a further period of 3 months.
5. 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.

Licensed banks, however, should refrain from using the release of capital on any capital related relaxations granted, to distribute dividends or declare bonuses to its management and staff or avail of any other similar action. Accordingly, all licensed banks are requested to avail these relaxations in the best interest of supporting their customers and the economy at large, the benefits of which would, in return, accrue to the banking sector to remain resilient.

Licensed banks are advised to diligently monitor their risk profile and resources in these times of stress, while the Central Bank will continue to closely monitor the liquidity and capital positions of licensed banks and any early warnings of stress to ensure safety and soundness of the banking sector.

Yours faithfully,

Prof. W D Lakshman

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

Annex of this letter can be accessed via: https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_instructions_extraordinary_regulatory_measures_by_cbsl_to_support_businesses_and_individuals_affected_by-COVID19.pdf

Monetary Law Act Order No. 01 of 2020

27 April 2020

MAXIMUM INTEREST RATES ON PAWNING ADVANCES OF LICENSED BANKS

Issued under Section 104(1)(b) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the necessity to provide relief to low income individuals who are pawning gold jewellery to meet short-term financing needs due to the adverse economic situation resulting from the COVID-19 outbreak, the Monetary Board hereby issues an Order on maximum interest rates of pawning advances granted by licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks).

- | | |
|---|--|
| 1. Empowerment under the Monetary Law Act | 1.1 In terms of Section 104(1)(b) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which licensed banks may charge for different types of loans or other credit operations. |
| 2. Applicability of this Order | 2.1 This Order shall apply to the business of pawn broking, (hereinafter referred to as pawning) carried on by a licensed bank or any branch or agency of such bank. |
| 3. Maximum interest rates on pawning advances | 3.1 The rate of interest chargeable by licensed banks on the money lent for pawning advances collateralised by personal articles made of gold accepted as a pledge, shall be 12% per annum or 1% per month for advances with a tenure of less than one year.

3.2 The above interest rate shall be applied to all new pawning advances and existing pawning facilities that become due for renewal commencing the date of the Order. |

Prof. W D Lakshman

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

Circular No. 06 of 2020

28 April 2020

AMENDMENT TO CIRCULARS NO 04 AND 05 OF 2020

The Central Bank of Sri Lanka issues the following amendments to Circulars No. 04 of 2020 on Relief Measures to Assist COVID-19 Affected Businesses and Individuals and Circular No. 05 of 2020 on Rupees 50 billion, Six-month Re-financing Facility to Support COVID-19 Hit Businesses Including Self-employment and Individuals dated 24.03.2020 and 27.03.2020 respectively.

Paragraph 5 of Circular No. 04 of 2020 is amended as follows:

5. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,00 until 15.05.2020.

Paragraph 2(iv) of Circular No. 05 of 2020 is amended as follows:

2(iv) The deadline for submission of request by eligible borrowers to avail concessions under these Schemes has been extended till 15.05.2020. Other clauses of this paragraph remain unchanged.

Prof. W D Lakshman
**Chairman of Monetary Board and
 Governor of the Central Bank of Sri Lanka**

FAQs of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_2_of_2020_s.pdf

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_3_of_2020_e1.pdf

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_4_of_2020_e.pdf

05 May 2020

To: All Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

Dear Chief Executive Officers,

EXTRAORDINARY REGULATORY MEASURES TO PROVIDE LIQUIDITY TO LICENSED BANKS AMIDST COVID – 19 OUTBREAK

The Monetary Board of the Central Bank of Sri Lanka (CBSL) in the wake of the possible adverse impact on liquidity and other key performance indicators of licensed banks due to the implementation of the credit support scheme to assist COVID – 19 hit businesses and individuals, and the need to meet other urgent liquidity needs, considers it imperative to strengthen the liquidity position of banks. The Monetary Board expects all financial institutions to provide uninterrupted credit flows in a prudent manner to revive the economic activities where in turn all sectors including financial sector of the economy will benefit. The confidence that certain fallback options are in place are expected to drive the banks' management to take their decisions comfortably.

In view of the above, the Monetary Board granted approval for the following extraordinary measures to strengthen the liquidity position of licensed commercial banks and licensed specialized banks (hereinafter referred to as licensed banks) to ensure continued supply of credit and to meet urgent liquidity needs of banks under these exceptional circumstances.

- (i) Provide additional funding under the refinance facility or through credit operations under the Monetary Law Act, enabling the banking sector to provide working capital and other loans at concessionary rates of interest, to spur demand in the economy.
- (ii) Permit licensed banks to consider certain assets as liquid assets in the computation of Statutory Liquid Assets Ratio (SLAR) under the Banking Act during the period up to 30 June 2021, subject to hair – cut and other conditions. Licensed Banks will be notified of these Assets in due course.
- (iii) Permit licensed banks to operate maintaining a Liquidity Coverage Ratio and Net Stable Funding Ratio at 90%, in this exceptional circumstance, with enhanced supervision and frequent reporting up to 30 June 2021.
- (iv) Allocate funds from the Sri Lanka Deposit Insurance and Liquidity Support Scheme as liquidity support to the banking sector.
- (v) Provide liquidity to banks under the provisions of the Monetary Law Act as emergency loans and advances in Rupees and facilitate the supply of liquidity for banks which are in need of funds. Such funds will be made available under and approved Framework of Emergency Loans and Advances to Licensed Banks based on acceptable collateral and liquidity forecasts.

Licensed banks are strongly advised to monitor the liquidity position of their respective banks and use liquid funds accruing as a result of the above Measures prudently for intended purposes of strengthening credit flows in the economy and liquidity management, and to refrain from utilizing such funds for discretionary payments such as dividends, bonuses, share buybacks and other non-essential operational expenses.

Yours faithfully,
 Prof. W D Lakshman
**Chairman of Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 02 of 2020

05 May 2020

**LIQUID ASSETS FOR LICENSED COMMERCIAL BANKS
AND LICENSED SPECIALISED BANKS**

Considering the potential adverse impact on the liquidity position of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 pandemic, as an extraordinary measure in terms of the powers conferred by Sections 21(1), 86, 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board has determined that the following assets shall be considered as liquid assets until 30 June 2021 in this exceptional circumstance.

1. Empowerment under the Banking Act
 - 1.1 In terms of Section 21(1) of the Banking Act, every licensed commercial bank (LCB) shall maintain liquid assets in such amount as may from time to time be determined by the Monetary Board having regard to the nature of the business carried on by such bank provided that the percentage determined by Monetary Board shall not be less than 20 per cent and not more than 40 per cent.
 - 1.2 In terms of Section 86 item (g) under Liquid Assets, the Monetary Board is empowered to determine such other assets as Liquid Assets.
 - 1.3 In terms of Sections 46(I) and 76(J)(I) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed bank, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
2. Liquid Assets
 - 2.1 For the purpose of computation Statutory Liquid Assets Ratio (SLAR) the following shall be considered as liquid assets until 30 June 2021.
 - (i) Interest subsidy receivable on Senior Citizens Special Deposit Scheme.
 - (ii) Exposures to State Owned Entities guaranteed by the Government of Sri Lanka 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%.
 - (iii) Fixed Deposits held by licensed banks in other licensed banks
 - (a) where remaining period to maturity exceeds 1 year but is less than or equal to 2 years, with hair-cut of 20%.
 - (b) if the remaining period to maturity exceeds 2 years but is less than or equal to 3 years, with hair-cut of 30%
 - (iv) Loans secured by deposits under lien equivalent to 20% of the deposits.
 - (v) Receivables from Employees Provident Fund (EPF) in settlement of loans.

Prof. W.D. Lakshman

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

Banking Act Direction No. 03 of 2020

13 May 2020

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 outbreak and the importance of maintaining appropriate levels of liquidity in licensed banks while managing cash flows prudently, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

1. Empowerment
 - 1.1 In terms of Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed bank, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
2. Scope and period of Application
 - 2.1 These Directions shall be applicable to licensed banks
 - (i) incorporated or established in Sri Lanka, and
 - (ii) incorporated or established outside Sri Lanka.

- 2.2 These Directions shall come in to effect immediately and be applicable until 31 December 2020.
3. Restrictions on Discretionary Payments
- 3.1 Licensed banks incorporated or established in Sri Lanka shall refrain from declaring cash dividends not already declared for financial year 2019 and any interim cash dividends for financial year 2020.
- 3.2 Licensed commercial banks incorporated outside Sri Lanka shall refrain from repatriation of profits not already declared for financial years 2019 and 2020.
- 3.3 Licensed banks shall refrain from buying back its own shares;
- 3.4 Licensed banks shall refrain from increasing management allowances and payments to Board of Directors;
- 3.5 Licensed banks shall exercise prudence and refrain to the extent possible from incurring non-essential expenditure such as advertising, business promotions, sponsorships, travelling and training, etc.,
- 3.6 Licensed banks shall exercise extreme due diligence and prudence when incurring capital expenditure, if any.

Prof. W D Lakshman

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

Banking Act Direction No. 04 of 2020

15 May 2020

LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED IN RESPECT OF MOTOR VEHICLES

Issued under Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended.

The Central Bank of Sri Lanka issues Directions as follows for implementation of loan to value ratios in respect of credit facilities granted by licensed commercial banks (LCBs) and licensed specialised banks (LSBs), hereinafter referred to as licensed banks, for the purpose of purchase or utilisation of motor vehicles.

1. The following will replace Directions 1 (i) of the Banking Act Directions No. 04 of 2019 on Loan to Value Ratios for Credit Facilities Granted in respect of Motor Vehicles.
- (i) Credit facilities granted by licensed banks for the purpose of purchase or utilisation of motor vehicles shall not exceed the following percentages of the market value of such vehicles.
- (a) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;

Table 1 – Loan to Value Ratio			
Vehicle Category	Vehicle Class of Department of Motor Traffic	Electric Vehicles	Other
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J	90%	90%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	90%	50%
Locally Assembled Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	90%	70%
Three wheelers	B1	90%	25%
Light trucks	B	90%	90%
Any other vehicle	A1, A and single cabs categorized under B	90%	70%
Hybrid Motor Cars, Vans and SUVs	B (other than light trucks & single cabs)	50%	

- (b) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration.

2. Loan to Value Ratio for credit facilities granted for importation or purchase of motor vehicles under permits on concessionary terms shall be computed based on the proforma invoice value, instead of the market value of the motor vehicle.
3. The Banking Act Directions No. 04 of 2019 dated 31.05.2019 on Loan to Value Ratios for Credit Facilities Granted in Respect of Motor Vehicles are withdrawn with effect from the date of this Directions.

Prof. W D Lakshman

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

Banking Act Directions No. 05 of 2020

19 June 2020

INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka with a view to easing the pressure on the exchange rate and the stress on financial markets due to the impact of Covid-19 outbreak, requires licensed commercial banks and National Savings Bank to suspend the purchase of Sri Lanka International Sovereign Bonds (ISBs) for a period of three months unless such purchase of ISBs is funded by using new foreign currency inflows to the banks.

These Directions shall be implemented with immediate effect.

Prof. W.D. Lakshman

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

Banking Act Directions No. 06 of 2020

16 July 2020

EXTRAORDINARY REGULATORY MEASURES AMIDST COVID-19

The Central Bank of Sri Lanka (CBSL), considering the national importance of reviving business sectors that were adversely affected by the COVID-19 and the exceptional circumstances of the economic impact of COVID-19 pandemic, has implemented a Credit Guarantee and Interest Subsidy scheme under Phase III of Saubagya COVID 19 Renaissance Facility and a liquidity facility to construction sector against "Letter of Acceptance of Payments of Outstanding Bills to Contractors" issued by the Government to settle dues to contractors by 31 December 2020.

In this regard, the Monetary Board, in terms of the powers conferred by Sections 21(1), 86, 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended, has approved the following extraordinary regulatory measures.

- | | | |
|---|-----|--|
| 1. Empowerment under the Banking Act | 1.1 | In terms of Section 21(1) of the Banking Act, every licensed commercial bank shall maintain liquid assets in such amount as may from time to time be determined by the Monetary Board having regard to the nature of the business carried on by such bank provided that the percentage determined by the Monetary Board shall not be less than 20 per cent and not more than 40 per cent. |
| | 1.2 | In terms of Section 86 item (g) under Liquid Assets, the Monetary Board is empowered to determine such other assets as "liquid assets". |
| | 1.3 | In terms of Sections 46(l) and 76J(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. |
| 2. Liquid Assets for Computation of Statutory Liquid Assets Ratio | 2.1 | Licensed commercial banks shall consider the new credit facilities granted to the construction sector against "Letter of Acceptance of Payments of Outstanding Bills to Contractors" issued by the Government as referred to in the Operating Instructions No. 35/03/023/0001/002 or any other subsequent amendments issued by the Domestic Operations Department of CBSL, as liquid assets for the purpose of computation of Statutory Liquid Assets Ratio (SLAR), until 31 December 2020, subject to a haircut of 10% of such credit facilities. |

- | | |
|--|---|
| 3. Classification of Loans and Advances, Income Recognition and Provisioning | 3.1 In terms of Banking Act Directions No. 03 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning and any subsequent amendments, licensed commercial banks are permitted to initially classify the new credit facilities granted to the construction sector against "Letter of Acceptance of Payments of Outstanding Bills to Contractors" issued by the Government, as performing loans without considering the current classification status of other existing facilities, provided that the new facility is granted for the purpose of new economic activities. |
| | 3.2 Licensed Commercial Banks shall ensure compliance with all other requirements relating to classification of loans and advances, in case of subsequent default or potential risk of such borrowers. |
| 4. Computation of Capital Adequacy Ratio | 4.1 In terms of Part III (C) of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, the following will qualify as acceptable credit risk mitigants for credit facilities granted against the same and shall be risk weighted at zero per cent <ul style="list-style-type: none"> (i) The "Letter of Acceptance of Payment of Outstanding Bills due to Contractors" issued by the Government. (ii) The Credit Guarantee provided under Phase III of Saubagya COVID-19 Renaissance Facility. |

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 07 of 2020

16 July 2020

RELIEF MEASURES TO ASSIST COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

The Central Bank of Sri Lanka, considering the potential adverse impact of COVID-19 pandemic on tourism sector businesses and individuals, requests licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies (hereinafter referred to as Financial Institutions) to provide the following relief measures to eligible borrowers:

1. Financial institutions shall extend the existing 6 months moratorium period granted in terms of Paragraphs 2 and 3 of Circular No. 05 of 2020 issued on 27 March 2020 to 12 months in respect of capital outstanding of leasing facilities granted to tourism related vehicles.
2. Financial institutions may recover interest during the moratorium period from eligible borrowers referred to in paragraph (1) above, in a manner that is not inconvenient to the borrower.
3. Financial institutions shall waive off the accrued penal interest in respect of leasing facilities granted to tourism related vehicles.

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 07 of 2020

16 July 2020

AMENDMENTS TO BANKING ACT DIRECTIONS NO. 01 OF 2016 ON CAPITAL REQUIREMENTS UNDER BASEL III FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

In terms of powers conferred by Sections 19(7)(a) and 76G(7) of the Banking Act No. 30 of 1988, the Monetary Board is empowered to determine the minimum capital ratios for licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks.

Accordingly, Section d) i) II of web-based return code 20.3.1.8.1.0 referred to in Part III (A) of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks is amended as follows:

The annual turnover of the SME shall not exceed Rs. 1 billion

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 02 of 2020

21 August 2020

MAXIMUM INTEREST RATES ON LENDING PRODUCTS OF LICENSED BANKS

Issued under Section 104(1)(b) of the Monetary Law Act, No. 58 of 1949, as amended.

The Central Bank of Sri Lanka (CBSL) has adopted several policy measures in the recent past such as reduction of policy interest rates, statutory reserve ratio and the bank rate, and introduction of extraordinary regulatory measures to reduce the cost of funds of licensed commercial banks (LCBs) and licensed specialised banks (LSBs). These measures were implemented to facilitate licensed banks to assist businesses and individuals affected by the COVID-19 crisis. Consequently, while overall market interest rates have declined in recent weeks, the Monetary Board anticipates a further reduction in overall market lending rates, thereby encouraging borrowing for productive economic activity and reinforcing support for COVID-19 hit businesses as well as the broader economy, given the conditions of subdued inflation. The Monetary Board has therefore, decided to adopt targeted measures to reduce specific interest rates that it considered to be excessive, which would help marginal borrowers.

Accordingly, the Monetary Board hereby issues an Order on the maximum interest rates applicable on Sri Lanka Rupee (LKR) denominated loans and advances granted by LCBs and LSBs, while taking cognizance of differences in their funding structures.

- | | |
|---|--|
| 1. Empowerment under the Monetary Law Act | 1.1 In terms of Section 104(1)(b) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which LCBs and LSBs may charge for different types of loans or other credit operations. |
| 2. Interest Rates on LKR denominated loans and advances | <p>2.1 Every LCB and LSB shall reduce the lending rates for the following credit facilities at least to the stated levels:</p> <ul style="list-style-type: none"> (i) Interest rates on credit card advances to 18 per cent per annum commencing from the next billing cycle. (ii) Interest rates on pre-arranged temporary overdrafts to 16 per cent per annum. (iii) Interest rates on the money lent for pawning advances collateralised by personal articles made of gold accepted as a pledge, to 10 per cent per annum for all new pawning advances and existing pawning facilities that are renewed. <p>2.2 Every LCB and LSB shall ensure that the continuous decline in market interest rates are reflected on the interest rates charged for all other credit facilities at the time of their renewal or when repricing of such facilities</p> <p>2.3 Every LCB and LSB shall reduce the penal interest rates charged on all loans and advances, including credit facilities already granted, to a level not exceeding 200 basis points per annum, for the amount in excess of an approved limit or in arrears.</p> <p>2.4 Further to Circulars dated 04 March 2020, 28 May 2015 and 16 February 2001 on Recovery of Accommodation to Exporters, charging of enhanced rates of interest on such accommodation where the borrower does not repay on time, to be reduced to 200 basis points per annum until further notice.</p> <p>2.5 Every LCB and LSB shall continue to provide concessions given under the following Circulars relating to interest rates and charging of penal interest rates if such concessions are more favourable than those provided under this Order.</p> <ul style="list-style-type: none"> (i) No. 07 of 2019 on Concessions granted to Tourism Industry dated 08 May 2019. (ii) No. 02 of 2020 on Credit Support to Accelerate Economic Growth dated 30 January 2020. (iii) No. 04 of 2020 on Relief Measures to Assist COVID-19 Affected Businesses and Individuals dated 24 March 2020. (iv) No. 05 of 2020 on Rupees 50 Billion six-month Re-financing Facility to Support COVID-19 hit Businesses including Self-employment and Individuals dated 27 March 2020. (v) No. 07 of 2020 on Relief Measures to Assist COVID-19 Affected Businesses and Individuals 16 July 2020. |

- | | |
|--|--|
| 3. Monitoring | 3.1 All LCBs and LSBs shall ensure the accuracy of interest rates data submitted to CBSL and maintain internal documented records electronically or manually, in relation to the reductions in interest rates in respect of each type of credit facility to which this Order applies. |
| 4. Implementation | 4.1 This Order shall come into effect commencing 24 August 2020. |
| 5. Revocation of Monetary Law Act Orders | 5.1 The following Monetary Law Act Orders are hereby revoked <ul style="list-style-type: none"> (i) No. 02 of 2019 on Enhancing Efficiency of the Transmission of Recent Policy Decisions to Rupee Denominated Market Lending Rates dated 24 September 2019. (ii) No. 01 of 2020 on Maximum Interest Rates on Pawning Advances of Licensed Banks dated 27 April 2020 |

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 08 of 2020

26 August 2020

EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY

With a view to meeting the challenges faced by the tourism industry due to the Easter Sunday Attack and the outbreak of COVID-19, the Central Bank of Sri Lanka (CBSL) has implemented debt moratorium schemes since April 2019. Considering the ongoing travel restrictions, disruption to economic activities and representations made by the Ministry of Tourism and related agencies, CBSL requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), to provide a debt moratorium to COVID-19 affected businesses and individuals in the tourism sector (hereinafter referred to as the Scheme) for a further period of six months commencing from 1 October 2020 to 31 March 2021. CBSL observed that the proposed Scheme may not cause an undue level of stress or threaten the stability of the banking system considering the lower level of exposure to the tourism sector by licensed banks, the capital buffers maintained by licensed banks and measures proposed by the Ministry of Tourism to revive the tourism industry. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks. However, licensed banks may offer any additional concessions to borrowers in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular.

1. General Terms and Conditions

- (i) Eligible borrowers
 - (a) Businesses and individuals who are affected by COVID-19 and registered with:
 - i) Ministry of Tourism
 - ii) Sri Lanka Tourism Development Authority
 - iii) Agencies under Sri Lanka Tourism Development Authority
 - iv) Local Government Authorities such as Pradeshia Sabha, Urban Council or Municipal Council. However, such businesses shall now register with the relevant institutions referred in i), ii) and iii) above
 - v) Department of Cultural Affairs
 - vi) The Hotels Association of Sri Lanka
 - (b) Employees of eligible businesses who are affected by COVID-19. In the case of such employees, the registration of the business with the relevant institutions referred in (a) above shall be considered sufficient.
- (ii) Credit facilities to be supported under this Scheme shall include all performing credit facilities as at 18 April 2019 or a later date, granted to eligible borrowers and non-performing loans re-structured under Circular No. 05 of 2020 issued on 27 March 2020.
- (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of six months commencing 1 October 2020 to 31 March 2021.
- (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant licensed bank on or before 25 September 2020. Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for this extension.
- (v) Licensed banks shall accommodate such requests, considering the potential repayment capacity of the borrower.

2. Structuring the debt moratorium

- (i) Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1 October 2020 to 31 March 2021 into a term loan. Licensed banks may amalgamate the capital and interest falling due during 1 April 2020 to 30 September 2020 with the capital and interest falling due during 1 October 2020 to 31 March 2021, except for EMI loans for which the interest rate for the moratorium period is capped at 7 per cent per annum.
- (ii) Such converted loan shall be recovered not earlier than 1 July 2021 onwards.
- (iii) Licensed banks may charge an interest rate for the converted loan, not exceeding the latest auction rate for 364-days Treasury Bills, available by 1 April 2021, plus 1 per cent per annum.
- (iv) The repayment period of such converted loan shall be minimum of two years. However, if the borrower wishes to repay the loan in less than two years or if the licensed bank wishes to offer a longer period, licensed banks may facilitate such requests. Licensed bank and the borrower shall agree on the interest rate, if the repayment period varies from the stipulated two-years period.
- (v) Licensed banks shall waive off the accrued and unpaid penal interest as at 1 October 2020, if any, on performing and non-performing loans considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

3. Reporting Requirement

Licensed banks shall report the details of moratorium availed by borrowers to the Director of Bank Supervision as at 30th of each month, within 15 working days commencing from 1 November 2020. A reporting format will be issued in due course.

4. Revocations

Circular No 07 of 2020 dated 16 July 2020 on Relief Measures to Assist COVID-19 Affected Businesses and Individuals is hereby revoked.

Prof. W.D. Lakshman

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

Banking Act Directions No. 08 of 2020

08 September 2020

AMENDMENT TO THE BANKING ACT DIRECTIONS ON OWNERSHIP OF ISSUED CAPITAL CARRYING VOTING RIGHTS FOR LICENSED COMMERCIAL BANKS

In the exercise of the powers conferred by Section 46(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board, having considered the benefits to the banking system through the investments by Multilateral Financial Organisations in the shareholding of licensed commercial banks hereby issues the following Direction amending the Banking Act Directions No.1 of 2007 dated 19 January 2007.

Direction 4 of the Banking Act Directions No. 1 of 2007 is replaced as follows:

- | | |
|--|--|
| 4. Maximum percentage of ownership of shares | Accordingly, the Monetary Board, subject to Sections 12(1B), 12(1C) and 13 and subject to terms and conditions it may deem fit, may grant permission on a case-by-case basis to: <ul style="list-style-type: none"> (a) any of the categories of shareholders referred to in Sections 12(1C) and 46(1)(d) to acquire a material interest not exceeding 15 per cent of the issued capital carrying voting rights in a licensed commercial bank, (b) Multilateral Financial Organisations such as the World Bank, International Finance Corporation (IFC), Asian Development Bank (ADB) and any other Multilateral Financial Organisation as approved by the Monetary Board of the Central Bank of Sri Lanka, notwithstanding (a) above, to acquire a material interest not exceeding 20 per cent of the issued capital carrying voting rights in a licensed commercial bank subject to the condition that the material interest so acquired shall be reduced to 15 per cent within a period of 10 years from the date of stipulation. |
|--|--|

Prof. W.D. Lakshman

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

Banking Act Directions No. 09 of 2020

08 September 2020

**AMENDMENT TO THE BANKING ACT DIRECTIONS ON
OWNERSHIP OF ISSUED CAPITAL CARRYING VOTING RIGHTS FOR
LICENSED SPECIALISED BANKS**

In the exercise of the powers conferred by Section 76J(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board, having considered the benefits to the banking system through the investments by Multilateral Financial Organisations in the shareholding of licensed specialised banks hereby issues the following Direction amending the Banking Act Directions No. 2 of 2007 dated 19 January 2007.

The following new Direction will be inserted immediately after Direction 3(2) of the Banking Act Directions No. 2 of 2007.

- | | |
|---|---|
| <p>3. Maximum percentage of ownership of shares</p> | <p>(3) Notwithstanding (1) above, the Monetary Board, subject to terms and conditions it may deem fit, may grant permission on a case-by-case basis to acquire a material interest not exceeding 20 per cent of the issued capital carrying voting rights in a licensed specialised bank by Multilateral Financial Organisations such as the World Bank, International Finance Corporation (IFC), Asian Development Bank (ADB) and any other Multilateral Financial Organisation as approved by the Monetary Board of the Central Bank of Sri Lanka subject to the condition that the material interest so acquired shall be reduced to 15 per cent within a period of 10 years from the date of stipulation.</p> |
|---|---|

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 10 of 2020

30 September 2020

**AMENDMENTS TO BANKING ACT DIRECTIONS ON FINANCIAL DERIVATIVE TRANSACTIONS FOR
LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

In the exercise of the powers conferred by Sections 46(1) and 76J(l) of the Banking Act No. 30 of 1988, as amended, the Monetary Board, having considered the necessity to encourage foreign inflows to the country, hereby issues the following Directions amending the Banking Act Directions No. 4 of 2018 dated 21.08.2018 on Financial Derivative Transactions for Licensed Commercial Banks and Licensed Specialised Banks.

Accordingly, Directions 5.1 b) and 5.7 c) are replaced, and Direction 5.11 is inserted immediately after Direction 5.10 as follows:

- | | |
|--|--|
| <p>5. General Terms and Conditions</p> | <p>5.1 b) Non Market Maker (NMM) Deals: Transactions executed by EBs with their customers, i.e., any party other than an EB or with another EB with the intention of making a spread. In these transactions an EB shall not take any market risk into its own books and shall cover the transaction on the same day on a back-to-back basis with another EB in Sri Lanka or with a foreign counterparty or Central Bank of Sri Lanka.</p> <p>5.7 c) a marked-to-market gain (financial gain) should not be paid to the customer. However, EBs may pay the marked-to-market gain arising from unwinding/selling back of derivatives for which the underlying transaction is an investment in Government Securities, by foreign investors;</p> <p>5.11 In the case of Inward Investments SWAPs entered into by licensed commercial banks in terms of Operating Instructions No. 33/04/012/0011/002 dated 23.09.2020 and any subsequent instructions, issued by the Central Bank of Sri Lanka, Directions 5.7 shall not be applicable.</p> |
|--|--|

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 09 of 2020

28 October 2020

AMENDMENTS TO CIRCULAR NO. 04 OF 2018 ON GUIDELINES TO LICENSED BANKS ON THE ADOPTION OF SRI LANKA ACCOUNTING STANDARDS – SLFRS 9: FINANCIAL INSTRUMENTS

The Central Bank of Sri Lanka with a view to establishing consistent practices on the adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments by licensed banks under COVID-19 environment, issues amendments to Circular No. 04 of 2018 dated 31 December 2018 as specified at Annex I. Further, the following clarifications are provided to licensed banks:

- (1) In the case where direct temporary restrictions on economic activities are in place due to COVID-19 outbreak, licensed banks may exercise judgment on case-by-case basis, to determine whether to classify facilities as Stage 3 facilities or not, considering the borrower's inability to revive the business and generate sufficient cash flows to repay the exposure once the restrictions on economic activities are removed;
- (2) Licensed banks may consult CA Sri Lanka and Auditors in order to obtain further guidance in respect of computing Probability of Default for Foreign Currency denominated Sovereign instruments; and
- (3) Licensed banks shall continue to follow the guidance prescribed in the Circular No. 04 of 2018 in respect to Loss Given Default (LGD) to be used when computing expected losses for exposures denominated in foreign currencies issued by sovereigns.

Director of Bank Supervision

Annex I

AMENDMENTS TO CIRCULAR NO. 04 OF 2018 ON GUIDELINES TO LICENSED BANKS ON THE ADOPTION OF SRI LANKA ACCOUNTING STANDARDS – SLFRS 9: FINANCIAL INSTRUMENTS

1. Guideline 4.8 shall be inserted immediately after Guideline 4.7 as follows:

Licensed banks shall with the approval of the Board of Directors of the bank include clear guidelines on staging of loans and advances for impairment purposes in the related policies, amidst the extraordinary circumstances caused by the COVID-19 outbreak.

2. Guideline 5.3 (a) and (b) shall be replaced with the following:

- (a) Licensed banks shall use forecasts and projections published by the Central Bank of Sri Lanka (CBSL) when adjusting credit provisioning models to reflect the economic conditions and forecasts, on a consistent basis.
- (b) If CBSL forecasts are not available, licensed banks shall use credible alternative sources on a consistent basis and shall maintain relevant documentary evidence.

3. Annex 1 Guideline 1.3 (b) shall be replaced as follows:

All restructured loans, which are restructured more than twice, other than credit facilities/exposures mentioned in 3.2 below:

Licensed banks may exercise judgment on case-by-case basis to determine whether to categorise such facilities as Stage 3 facilities or not, if a facility has been restructured more than twice due to adverse economic consequences of the COVID-19 outbreak or the Easter Sunday Attack.

Circular No. 10 of 2020

09 November 2020

DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

With a view to meeting the challenges faced by businesses and individuals due to the second wave of COVID-19, the Central Bank of Sri Lanka (CBSL) directs licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks), to extend the debt moratorium to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme) for a further period of six months commencing from 1 October 2020 as specified below.

Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks. However, licensed banks may offer any additional concessions to borrowers in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular.

1. Tenure and applicability of the moratorium

- (a) The tenure of the moratorium shall not exceed 6 months commencing from 1 October 2020 or a shorter period as applicable, considering the financial difficulties faced by the eligible borrowers, based on internal guidance given by the licensed bank's Board of Directors or other delegated authority.

- (b) The moratorium shall be granted for both capital and interest on the request made by affected borrowers.

2. Deadline for submission of the application

Eligible borrowers may request for the moratorium on or before 30 November 2020 in writing or through electronic means. Licensed banks are required to provide a simple format (hard form/ soft form) for affected borrowers to make the request and communicate the concessions, deadline and format for submission via printed and/or electronic means including email and SMS.

3. Eligible borrowers

- (a) Businesses, proprietors and individuals engaged in tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation, logistic suppliers, event management, and any other sectors that have been adversely affected by work disruption and local and overseas lockdowns resulting from COVID-19.
- (b) Small and Medium Enterprises (SMEs) and individuals engaged in business sectors such as manufacturing, non-financial services, agriculture (including processing), construction, value addition and trading businesses including authorised domestic pharmaceutical suppliers. For this purpose, SMEs refer to businesses with an annual turnover up to Rs. 1 bn.
- (c) Self-employment businesses and individuals who have lost their jobs or income due to the outbreak of COVID-19.
- (d) Foreign currency earners (individuals and businesses) who have to repay loans in foreign currency and whose incomes/ businesses have been adversely affected due to the outbreak of COVID-19.

4. Eligible credit facilities

Term loans, leasing facilities, pawning, overdrafts, trade finance or any other credit facilities denominated in Rupees and foreign currency, which are in the performing category as at 01 October 2020. In the case of granting moratorium for Saubagya COVID-19 Renaissance Facility under Phase I, II and III, licensed banks shall adhere to the instructions issued by CBSL on 06 November 2020.

5. Structuring of the moratorium

- (a) Licensed banks shall convert the capital and interest on contracted rate falling due during the moratorium period from 1 October 2020 to 31 March 2021, or a shorter period as applicable, into a term loan.
- (b) Licensed banks may charge an interest rate for the converted loan, not exceeding the latest auction rate for 364-days Treasury Bills, available immediately after the respective moratorium period, plus 1 per cent per annum. In the case of foreign currency loans, licensed banks shall charge an interest rate below the current market interest rate or the contracted interest rate whichever is lower, for the converted loan.
- (c) The repayment period of such converted loan shall be minimum of 24 months and the repayment shall commence from 01 April 2021.
- (d) In the case of overdrafts, licensed banks shall convert the interest falling due during the moratorium period from 1 October 2020 to 31 March 2021, or a shorter period as applicable, into a term loan and charge an interest rate not exceeding 4 per cent per annum for the converted loan. The repayment period of such converted loan shall be minimum of 12 months and the repayment shall commence from 01 April 2021.
- (e) However, if the borrower wishes to repay the converted loan in less than the specified period or if a licensed bank wishes to offer a longer period than the specified period, licensed banks may facilitate such requests. Licensed bank and the borrower shall agree on the interest rate, if the repayment period of the converted loan varies from the stipulated period.
- (f) In the case of pawning facilities, the due dates falling during the moratorium period shall be extended till 01 April 2021.
- (g) In the case of credit card facilities, licensed banks may take appropriate business decisions to accommodate any request for concessions made by eligible borrowers.
- (h) Licensed banks shall waive off the penal interest accrued and unpaid as at 1 October 2020, if any. Penal interest shall not be accrued and charged during the moratorium period.
- (i) Licensed banks shall not levy excessive fees or charges in relation to granting of the moratorium.
- (j) Licensed banks shall ensure that eligible borrowers are made aware of the structure of moratorium facilities prior to approving such moratorium. In the case of declined requests, licensed banks shall clearly mention the reason for such decline.

6. Accounting considerations on the moratorium

Licensed banks shall account for the moratorium as per Sri Lanka Accounting Standards and any additional guidance provided by CA Sri Lanka (CASL) on Financial Reporting implications due to the outbreak of COVID-19. Licensed banks may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7. Reporting requirement

Licensed banks shall report the details of moratorium availed by their borrowers to the Bank Supervision Department as at the 15th and 30th of each month, within 5 working days, commencing from 15.12.2020.

Prof. W.D. Lakshman

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

Banking Act Determination No. 01 of 2020

12 November 2020

ANNUAL LICENCE FEE OF LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

Determination made by the Monetary Board of the Central Bank of Sri Lanka under Sections 8 and 76D (6) of the Banking Act, No. 30 of 1988, as amended.

The Monetary Board of the Central Bank of Sri Lanka (CBSL), considering the possible adverse impact on licensed banks due to the COVID-19 outbreak and in line with the extraordinary regulatory measures introduced by CBSL, has determined to maintain licence fee structure applicable for years 2019 and 2020 unchanged for the year 2021.

Accordingly, in terms of Sections 8(l) and 76D (6) of the Banking Act No. 30 of 1988, every licensed commercial bank and licensed specialised bank shall pay the licence fee in respect of the calendar year 2021 to the Central Bank of Sri Lanka on or before 31 January 2021, based on the total assets of such bank as at the end of 2020, as set out in the Table below.

Table 01: Annual licence fee for the year 2021

Total Assets as at the end 2020 (Rs. Bn)	Licence Fee (Rs. Mn)
Above 1000	33
Above 750 to 1000	32
Above 500 to 750	26
Above 200 to 500	23
Above 125 to 200	17
Above 75 to 125	11.6
25 to 75	6
Less than 25	3

Prof. W.D. Lakshman

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

Monetary Law Act Order No. 03 of 2020

04 December 2020

MAXIMUM INTEREST RATES ON MORTGAGE-BACKED HOUSING LOANS

Issued under Section 104(1)(b) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the current and expected macroeconomic developments, the reduction in policy interest rates thus far during the year, the significant levels of excess liquidity prevailing in the domestic money market and the need for a continued downward adjustment in lending rates to revive the economy, the Monetary Board hereby issues an Order on maximum interest rates for mortgage-backed housing loans obtained by salaried employees in the public and private sectors, from licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks). This Order is also expected to support the expansion of home ownership of the Sri Lankan general public, and provide an additional stimulus to the domestic construction sector and its supply chains.

- | | | |
|---|-----|--|
| 1. Empowerment under the Monetary Law Act | 1.1 | In terms of Section 104(1)(b) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which licensed banks may charge for different types of loans or other credit operations. |
| 2. Applicability of this Order | 2.1 | <p>This Order shall apply to housing loans granted by licensed banks after implementation of this Order to salaried employees serving in confirmed service in the public and private sectors in Sri Lanka:</p> <ul style="list-style-type: none"> (i) secured by primary mortgages over the same property; and (ii) for purchase of condominium property based on an arrangement acceptable to licensed banks which must be converted into a primary mortgage over the property when construction is completed. |
| 3. Interest Rates and tenure of mortgage-backed housing loans of salaried employees | 3.1 | <p>The applicable maximum interest rates for mortgage-backed housing loans specified under Order 2.1 above shall be:</p> <ul style="list-style-type: none"> (i) A fixed interest rate of 7 per cent per annum at least for the first five years of the loan tenure. (ii) A floating interest rate linked to the monthly Average Weighted Prime Lending Rate (AWPR) plus a maximum margin of 1 percentage point for the remaining tenure of the loan. (iii) In computing the monthly loan instalment for the first five years, the licensed bank shall consider the interest rate for the entire tenure of the loan as 7 per cent per annum. (iv) After the expiry of the fixed rate loan tenure, the licensed bank may re-price the loan every six months, based on the average monthly AWPR published by the Central Bank of Sri Lanka during the immediately preceding six months. |
| | 3.2 | In deciding on the loan tenure, licensed banks may consider the retirement year of the borrower as confirmed by the employer as the final year of settlement. |
| 4. Settlement | 4.1 | Licensed banks shall permit borrowers to settle the loan obtained under this Order at the end of the fixed tenure of five years without being subject to any early settlement fee or charges. |
| 5. Implementation | 5.1 | Licensed banks shall issue internal Circulars to its Branches expeditiously to implement this Order with effect from 10 December 2020. |

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

FAQs of this MLA Order can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_5_of_2020_s.pdf

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_frequently_asked_questions_no_1_of_2021_e.pdf

Banking Act Directions No. 11 of 2020

11 December 2020

INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka, 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 outbreak, requires the licensed commercial banks and National Savings Bank to suspend the purchase of Sri Lanka International Sovereign Bonds (ISBs) for a period of six months unless such purchase of ISBs is funded by new foreign currency inflows to the licensed banks sourced from abroad.

This Direction shall be implemented with immediate effect.

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 12 of 2020

23 December 2020

INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka observes that a sizable amount of investment in Sri Lanka International Sovereign Bonds (ISBs) has been made by licensed banks thus far during the year. Furthermore, it has been observed that licensed banks continue to purchase Sri Lanka ISBs using inflows to the current account of the balance of payments, thereby adding undue pressure to the domestic foreign exchange market.

In consideration of these developments, licensed commercial banks and National Savings Bank are required to suspend the purchase of Sri Lanka ISBs with immediate effect for a period of three months.

Accordingly, the Banking Act Directions No. 11 of 2020 dated 11 December 2020 on the above subject are hereby withdrawn.

This Direction shall be implemented with immediate effect.

Prof. W.D. Lakshman

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

Banking Act Directions No. 13 of 2020

31 December 2020

AMENDMENT TO REGULATORY FRAMEWORK ON VALUATION OF IMMOVABLE PROPERTIES OF LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

In the exercise of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, the Monetary Board hereby issues the following amendments to Banking Act Directions No. 01 of 2014 on the Regulatory Framework on Valuation of Immovable Properties of Licensed Commercial Banks and Licensed Specialised Banks, hereinafter referred to as licensed banks.

Accordingly, the following Directions of the Banking Act Directions No. 01 of 2014 on the Regulatory Framework on Valuation of Immovable Property of licensed banks shall be replaced as follows:

- | | |
|-------------------------------------|---|
| 5. Eligibility Criteria for Valuers | <p>5.1 Every licensed bank shall ensure that:</p> <ul style="list-style-type: none"> a) eligibility criteria for valuers are set out as follows. <ul style="list-style-type: none"> A. A member of the Institute of Valuers of Sri Lanka (IVSL) who shall be: <ul style="list-style-type: none"> i. A Fellow member; or ii. A Professional Associate member with 5 years of experience in such grade of membership. <p>For the purpose of determining number of years of experience in the grade of Professional Associate Membership, the transitional provisions stated in the Section 24 of the IVSL amendment Act. No. 9 of 2019, shall be applicable.</p> B. A Chartered Valuation Surveyor of the Royal Institution of Chartered Surveyors (RICS) of the United Kingdom who shall be: <ul style="list-style-type: none"> i. A Fellow member; or ii. Other members with at least 5 years experience in such grade of membership. b) valuers selected for the panel of valuers of the licensed banks as per the qualifications set out in Direction 5.1 a) above shall acquire Continuous Professional Development as approved/recommended by respective professional body; c) internal valuation of immovable property is undertaken by valuers who satisfy the eligibility criteria set out in Direction 5.1 a) above; and d) valuers who maintain highest levels of professional conduct, ethics and integrity in carrying out valuations of immovable property of licensed banks are included in the panel of valuers. |
|-------------------------------------|---|

6. Threshold for internal and external valuation reports
- 6.1 In respect of immovable property obtained/to be obtained as collaterals against all performing loans and advances, banks shall establish an appropriate threshold for internal and external valuation as per the bank's policy.
- 6.2 In respect of non-performing loans, where the capital outstanding amount is less than Rs. 10,000,000 or 0.1% of the bank's capital base, whichever is less, an internal valuation report may be obtained.
- 6.3 Licensed banks shall obtain an external valuation report in the case of obtaining valuation for a foreclosed property where the capital outstanding amount is over Rs. 5,000,000 or 0.1% of the bank's capital base, whichever is less.
7. Frequency of Valuation
- 7.1 The frequency of valuation as referred to in Direction 2.2 (f) of the cited Direction shall be as follows:
- a) Valuation of immovable property obtained as collateral against loans and advances which are non-performing shall be made at the frequency as follows for any regulatory purpose.
- i. In respect of credit facilities granted against residential property which is occupied by the borrower for residential purposes: a report that is not more than five years old.
- ii. All other credit facilities: a report that is not more than four years old.
- b) Revaluation of immovable property as referred to in Directions 3.1 b) and c) of the cited Direction on Valuation of Immovable Properties shall be made in line with the internal policies approved by Board of Directors or depending on any significant and volatile changes in fair value of such immovable property are experienced. However, such gains can only be included in Tier 2 capital once in three years.
- c) Valuation of immovable property obtained as collateral against loans and advances which are performing, shall be made at the time of initial granting and at a time of any subsequent enhancement of credit facilities.
9. Revocation of Directions
- Banking Act Direction No. 07 of 2019 on Amendments to Regulatory Framework on Valuation of Immovable Properties Licensed Commercial Banks and Licensed Specialised Bank is hereby revoked.

Prof. W.D. Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Ref: 12/02/004/0007/001

12th May 2020

Circular No : 2020-01

To : All CEOs of Licensed Commercial Banks

Dear Sir/ Madam,

TEMPORARY WAIVING OFF THE SERVICE CHARGE ON CURRENCY NOTES DEPOSITED BY LICENSED COMMERCIAL BANKS

With reference to the Circular dated 26.02.2009 on "A Service Charge for Processing Serviceable Currency Notes" and the subsequent Circular dated 25.06.2019 on "Increasing the Service Charge for Currency Notes Deposited by Licensed Commercial Banks".

The Monetary Board has approved to waive off the service charge on currency notes deposited by Licensed Commercial Banks (LCBs) at the Central Bank of Sri Lanka (CBSL), considering the prevailing pandemic situation.

Accordingly, service charge on all deposits of serviceable (fit) currency notes by LCBs at CBSL will be waived off for three months period from 01.04.2020 to 30.06.2020.

Yours faithfully,
 Mrs. H P T Wijesuriya
Superintendent of Currency

Circular No: 35/03/016/007/005

11 February 2020

To: CEOs of All Participating Institutions

OUTRIGHT AUCTIONS UNDER OPEN MARKET OPERATIONS

Section 83.0 of the Circular No. 35/03/016/007/001 on Consolidated Operating Instructions (COI) on Market Operations dated 26 October 2016 as amended by Circular No. 35/03/016/007/004 on Outright Auctions under Open Market Operations dated 05 September 2019, is hereby further amended as follows with effect from 11 February 2020.

83.0**(b) Auction Announcement under Treasury Bonds**

The Central Bank of Sri Lanka shall announce the decision to conduct outright auction with a minimum of one business day prior to the auction date. The announcement shall include the type of auction on offer (outright sale or purchase), amount offered (the face value of the securities), maturity date, days to maturity, auction date and settlement date. The settlement date for outright transactions will be the following business day.

Director / Domestic Operations**OPERATING INSTRUCTION NO. : 35/01/005/0007/15**

17 March 2020

To: CEOs of All Licensed Commercial Banks

RESERVE REQUIREMENTS

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) as amended by Regulation "D" published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 2167/4 of 17 March 2020 on the above subject.

- All Licensed Commercial Banks are hereby informed that in accordance with the said notification, they should maintain reserves against deposit liabilities denominated in Sri Lankan Rupees at an amount equal to four per centum (4.00%) of the total of such deposit liabilities.
- Schedule A of Operating Instructions No. 35/01/005/007/14 of 22 February 2019 is replaced by attached 'Schedule A'.
- The above amendment is effective from the current reserve maintenance period commencing from 16 March 2020. All other instructions contained in our Operating Instructions No. 35/01/005/007/06 and 35/01/005/007/07 of 22 April, 2013 as amended from time to time will continue to apply.

C A Abeysinghe

Director/Domestic Operations**SCHEDULE A****FORM OF REPORT****REPORT OF DAILY AVERAGE RUPEE DEPOSIT LIABILITIES****Name of the Bank :****For the period from** (.....) **to** (.....)

Date

Date

To : Director,
Domestic Operations Department,
Central Bank of Sri Lanka,
Colombo 01.

The average amounts of deposit liabilities reported below are based on the deposit balances shown by the books of the Banks at the close of business of each day of the period specified above.

(i)	(ii)	(iii)	(iv)
Demand Deposits	Time and Savings Deposits	Margins against Letters of Credit/DA Terms	All other Deposit Liabilities ¹

¹ In the case of Certificate of Deposits the amount declared should be the paid up value.

REQUIRED RESERVES

For the period commencing

Item	In Sri Lankan Rupees
1. 100% of Average daily total Margins against a. Letters of Credit specified under (i) Circular No. 35/01/005/0010/20 dated 19 September 2018 on 'Margin Requirements against Letters of Credit for importation of Motor Vehicles' or (ii) Circular No. 35/01/005/0010/21 dated 29 September 2018 on 'Margin Requirements against Letters of Credit for importation of Motor Vehicles and Non-Essential Consumer Goods' and b. Imports on Document against Acceptance (DA) Terms specified in Circular No. 02 of 2018 dated 11 October 2018 as the case may be	
2. 4% of Average daily total Rupee Deposit Liabilities excluding (1) above	
3. Average of Sri Lanka Currency Notes and Coins held over and above 2% of average deposit liabilities covered in 1. and 2, but not exceeding 4%	
4. Total reserves required to be maintained over the reserve maintenance period (1+2-3)	

We/I hereby certify that the above statement is correct and in accordance with the book of this bank and that the figures shown above are in accordance with the regulations prescribed by the Monetary Board of the Central Bank of Sri Lanka for the purpose.

Date :

.....

Official Signature

Note –

- (a) Deposits and placements made by any institution other than licensed commercial banks, shall be accounted for maintenance of required reserves at prescribed ratios.
- (b) All amounts should be shown to the nearest rupee.

OPERATING INSTRUCTIONS No: 35/01/005/0007/16

17 April 2020

To: CEOs of All Licensed Commercial Banks**RESERVE REQUIREMENT: DAILY MINIMUM DEPOSIT**

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments), as amended and the **Regulation "D"** published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 1805/39 of 12 April 2013 as amended in terms of which all commercial banks are required to hold minimum daily deposit in the Central Bank.

- 2. For the purpose of Regulation 6 of Regulation "D", the Monetary Board of the Central Bank of Sri Lanka has determined that the minimum daily deposit required to be held by a commercial bank to be **Twenty (20) per centum** of the required reserves on any given day.
- 3. The above amendment is effective from the current reserve maintenance period commencing from 16 April 2020. All other instructions contained in our Operating Instructions No. 35/01/005/0007/06 of 22 April, 2013 as amended from time to time will continue to apply.

C A Abeysinghe
Director/Domestic Operations

OPERATING INSTRUCTIONS No: 35/01/005/0007/17

17 June 2020

To: CEOs of All Licensed Commercial Banks**RESERVE REQUIREMENTS**

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) as amended and the **Regulation "D"** published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No 1805/39 of 12 April, 2013 as amended.

2. All Licensed Commercial Banks (LCBs) are hereby informed that in accordance with the said notification, they should maintain reserves against deposit liabilities denominated in Sri Lankan Rupees at an amount **equal to two per centum (2.00%)** of the total of such deposit liabilities.
3. LCBs may maintain an amount over and above two per centum of the average deposit liabilities specified in paragraph 5 of the Operating Instructions No. 35/01/005/0007/06 of 22 April 2013, in the form of Sri Lanka currency notes and coins. However, only one per centum, over and above the two per centum of the currency notes and coins shall be considered as a part of its reserves. Such amount of currency notes and coins shall be the average holding of Sri Lanka currency notes and coins calculated for the respective computation period.
4. Schedule A of Operating Instructions No. 35/01/005/0007/15 of 17 March 2020 is replaced by attached 'Schedule A'.
5. The above amendment is effective from the current reserve maintenance period commencing from 16 June 2020. All other instructions contained in our Operating Instructions No. 35/01/005/0007/06 of 22 April 2013 as amended from time to time will continue to apply.

C A Abeyasinghe
Director/Domestic Operations

SCHEDULE A**FORM OF REPORT****REPORT OF DAILY AVERAGE RUPEE DEPOSIT LIABILITIES**

Name of the Bank :

For the period from (.....) **to** (.....)

Date

Date

To : Director,
Domestic Operations Department,
Central Bank of Sri Lanka,
Colombo 01.

The average amounts of deposit liabilities reported below are based on the deposit balances shown by the books of the Banks at the close of business of each day of the period specified above.

(i)	(ii)	(iii)	(iv)
Demand Deposits	Time and Savings Deposits	Margins against Letters of Credit/DA Terms	All other Deposit Liabilities¹

¹ In the case of Certificate of Deposits the amount declared should be the paid up value.

REQUIRED RESERVES

For the period commencing

Item	In Sri Lankan Rupees
1. 100% of Average daily total Margins against a. Letters of Credit specified under (i) Circular No. 35/01/005/0010/20 dated 19 September 2018 on 'Margin Requirements against Letters of Credit for importation of Motor Vehicles' or (ii) Circular No. 35/01/005/0010/21 dated 29 September 2018 on 'Margin Requirements against Letters of Credit for importation of Motor Vehicles and Non-Essential Consumer Goods' and b. Imports on Document against Acceptance (DA) Terms specified in Circular No. 02 of 2018 dated 11 October 2018 as the case may be	
2. 2% of Average daily total Rupee Deposit Liabilities excluding (1) above	
3. Average of Sri Lanka Currency Notes and Coins held over and above 2% of average deposit liabilities covered in 1. and 2, but not exceeding 3%	
4. Total reserves required to be maintained over the reserve maintenance period (1+2-3)	

We/I hereby certify that the above statement is correct and in accordance with the book of this bank and that the figures shown above are in accordance with the regulations prescribed by the Monetary Board of the Central Bank of Sri Lanka for the purpose.

Date :

.....

Official Signature

Note –

- (a) Deposits and placements made by any institution other than licensed commercial banks, shall be accounted for maintenance of required reserves at prescribed ratios.
- (b) All amounts should be shown to the nearest rupee.

OPERATING INSTRUCTIONS No: 35/03/023/0001/001

18 June 2020

To: All Licensed Commercial Banks (LCBs)

**LIQUIDITY FACILITY TO THE CONSTRUCTION SECTOR UPON PROMISSORY NOTES/GUARANTEES
ISSUED BY THE GOVERNMENT**

1. Introduction

- 1.1 Having identified the national importance of reviving the construction sector that was adversely affected by the COVID-19 outbreak, under the instructions of the Government of Sri Lanka, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has introduced a series of relief measures to the financial sector.
- 1.2 Accordingly, the CBSL wishes to provide urgent liquidity facilities to LCBs for a period of up to 180 days upon receipt of a promissory note from such LCB at a concessionary rate as determined by the Monetary Board.
- 1.3 The intention of this Operating Instruction (OI) is to enable LCBs to provide loan facilities to the construction sector that was adversely affected by the COVID-19 outbreak against a promissory note/guarantee issued by the Government.
- 1.4 This facility is expected to serve as a liquidity support to address liquidity demand arising due to funding needs of the construction sector enterprises equivalent to the amount due on account of contracts carried out in the past.

2. Main Features of the Facility

- 2.1 This OI will be effective from 18 June 2020 until further notice.

- 2.2 CBSL may lend to LCBs at a concessionary rate of 1 per cent per annum for a period of up to 180 days to be on-lent to the construction sector enterprises under Section 83(1)(c)(ii) of the Monetary Law Act (MLA) subject to Section 83(2), of MLA upon receipt of promissory notes from such LCBs secured by the said promissory notes/guarantees issued by the Government and immediate fresh facilities to be made available on submission of similar fresh promissory notes by LCBs.
- 2.3 In order to seek this liquidity facility, LCBs shall forward the details of the construction sector enterprises, who have borrowed against a promissory note/guarantee issued by the government, to the CBSL. LCBs are advised to submit a hard copy of the duly completed form as per Annex I signed by the authorised officers of LCBs to the Director of the Domestic Operations Department (DOD). The soft copy of Annex I shall also be sent to a designated email address at the same time of submitting the hard copies. LCBs shall ensure the accuracy and compatibility of the information provided in Annex I.
- 2.4 On the receipt of Annex I, together with a corresponding promissory note as in the form of Annex II from an LCB, the Director of the DOD will make arrangements to credit an amount not exceeding 99 per cent of the face value of the promissory note to the settlement account of the respective LCBs.
- 2.5 LCBs may maintain an interest margin not exceeding 3 per cent for this facility, so that the construction sector enterprises shall have access to credit at an interest rate not exceeding 4 per cent per annum.
- 2.6 At the maturity date of the pledged promissory note/guarantees, the CBSL shall deduct the amount granted by the CBSL and the respective interest component from the RTGS Settlement Account of the respective LCBs.
- 2.7 CBSL shall inform the details of upcoming maturities relevant to LCBs two weeks prior to the maturity date of the promissory note/guarantee.
- 2.8 LCBs are required to immediately repay the CBSL in the event of pledged promissory notes/guarantees being honoured by the Government.
- 2.9 LCBs are required to report to DOD on fortnightly basis on the utilisation of funds obtained under this OI, as per Annex III, as at 15th and 30th of each month within 3 working days from the due date.
- 2.10 The Bank Supervision Department and the DOD may jointly monitor the implementation of this facility.

C A Abeyasinghe
Director/Domestic Operations

Annex I : OI Ref: 35/03/023/0001/001

Liquidity Facility to the Construction Sector upon Promissory Note/Guarantees Issued by the Government

Name of the Bank :

Details of the Requested Loans by Contractors									
#	Promissory Notes issued by the Bank					Promissory Notes/Guarantees issued by the Government			
	Ref. No (As stated in Annex II)	Date of Issue (DD/ MM/YYYY)	Date of Maturity (DD/MM/YYYY)	Value (Rs.)	Amount requested from the CBSL (Rs.)	Ref. No	Name of the Contractor	Value (Rs.)	Date of Issue (DD/ MM/YYYY)
1.									
2.									
3.									
4.									
5.									

.....

Date

.....

Checked by

.....

Authorised by

You are requested to email the same to dod@cbsl.lk

Annex II

Promissory Note No:

(Issued by the Bank)

PROMISSORY NOTE

Colombo :

Date :/...../2020

Rs. :

M/s (Name and address of Participating Financial Institution) promise to pay the sum of Rupees (Rs.....) in 180 days from the date hereof, to the MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA OR ITS ORDER, together with the interest thereon, at the rate of One per centum per annum (1% p.a).

.....
(Stamp)

.....

Name of Participating Financial Institution

.....

Signature and Rubber Stamp of the Authorized Officer

WITNESSES:

1.

2.

Office Use Only

CBSL Ref No. :

Maturity Date:

Total Amount with Interest (%):

Annex III : OI Ref: 35/03/023/0001/001

Liquidity Facility to the Construction Sector upon Promissory Notes/Guarantees Issued by the Government

Name of the Bank :

Fortnight Report on Utilisation of Funds obtained under the Liquidity Facility to the Construction Sector									
Promissory Notes issued by the Bank				Promissory Notes/Guarantees issued by the Government					
#	Ref. No (As stated in Annex II)	Date of Maturity (DD/MM/YYYY)	Granted Loan Amount (Rs.)	Ref. No	Name of the Contractor	Face Value (Rs.)	Date of Issue (DD/ MM/YYYY)	Date of Maturity (DD/MM/YYYY)	Outstanding Loan Amount as at 2020 (Rs.)
1.									
2.									
3.									
4.									
5.									

.....

Date

.....

Checked by

.....

Authorised by

You are requested to email the same to dod@cbsl.lk

Circular No: 35/03/016/007/006

29 June 2020

To: CEOs of All Participating Institutions

INTRODUCING MODIFICATIONS TO THE EXISTING SYSTEM FOR STANDING FACILITY UNDER OPEN MARKET OPERATIONS

This has reference to the Circular No. 35/03/016/007/001 dated 26 October 2016 on Consolidated Operating Instructions (COI) on Market Operations as amended. Following Clauses of the COI, applicable for Standing Facility under Open Market Operations are hereby amended with effect from 06 July 2020.

Clause 30

The standing facility shall be an overnight facility where Participating Institutions (PIs) can avail the Standing Deposit Facility (SDF) to deposit funds at the Central Bank of Sri Lanka (CBSL) or may use the Standing Lending Facility (SLF) to borrow funds from the CBSL by providing eligible collaterals. The amount so deposited or borrowed under the standing facility may be at their own discretion. The sole responsibility of the amount placed/requested through the Online Electronic Bidding System (OEBS) under SDF/SLF shall be vested by the PIs. Accordingly, the amounts are approved by the System automatically at the cut-off time.

Clause 31

The PIs who wish to use the SDF are required to enter the deal electronically by submitting through OEBS not later than 1530 hours.

Clause 41

The PIs who wish to use the SLF are required to enter the deal electronically by submitting the amount required and the details of the securities through OEBS not later than 1530 hours.

All other clauses relating to the Standing Facility of the COI on Market Operations, as amended from time to time, will remain unchanged.

Director / Domestic Operations

OPERATING INSTRUCTIONS No: 35/03/023/0001/002

03 July 2020

To: CEOs of All Licensed Commercial Banks

LIQUIDITY FACILITY TO THE CONSTRUCTION SECTOR UPON 'LETTER OF ACCEPTANCE OF PAYMENTS OF OUTSTANDING BILLS DUE TO CONTRACTORS' ISSUED BY THE TREASURY ON BEHALF OF THE GOVERNMENT

This Operating Instructions (OI) replaces OI No. 35/03/023/0001/001 issued on 18.06.2020 on 'Liquidity Facility to the Construction Sector upon Promissory Notes/Guarantees Issued by the Government'.

This OI will be effective from 03.07.2020 until further notice.

1. Introduction

- 1.1 Having identified the national importance of reviving economic activities that was adversely affected by the COVID-19 pandemic, with the instructions of the Government of Sri Lanka, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has introduced a liquidity facility scheme to support the construction sector through Licensed Commercial Banks (LCBs).
- 1.2 The Monetary Board has approved a 'Liquidity Facility to the Construction Sector' (LFCS), initially on 16.06.2020 and subsequently on 26.06.2020, for the construction sector enterprises to borrow from LCBs, backed by a 'Letter of Acceptance of Payments of Outstanding Bills Due to Contractors' (LAPC) issued by the Treasury on behalf of the Government. In turn, LCBs shall provide promissory notes secured by pledged Treasury bills and Treasury bonds in their own holding to the CBSL to obtain credit facilities at a concessionary rate of interest under Section 83(1) of the Monetary Law Act No. 58 of 1949 (MLA) for on-lending to the construction sector.
- 1.3 Accordingly, the intention of this OI is to enable LCBs to provide credit facilities to the construction sector backed by the LAPC issued by the Treasury on behalf of the Government and to obtain LFCS from the CBSL at concessionary rates of interest.

2. Main Features of the Liquidity Facility

- 2.1 LFCS provided by the CBSL to LCBs is expected to serve as a liquidity support to address liquidity needs of the construction sector enterprises arising from outstanding dues from the Government of Sri Lanka on account of construction projects carried out in the past.
- 2.2 LCBs are required to enter into a Loan Agreement and a Pledge Agreement with the Monetary Board of the Central Bank of Sri Lanka each time this LFCS is drawn by the LCBs.
- 2.3 Under LFCS, the CBSL may grant loans to LCBs at a concessionary rate of one per cent (1%) per annum for a period not exceeding 180 days for on-lending to the construction sector enterprises under Section 83(1) of the MLA, upon receipt of promissory notes from LCBs secured by pledged Treasury bills and Treasury bonds with the CBSL. Immediate fresh facilities shall be made available upon submission of similar fresh promissory notes by the LCBs backed by pledged Treasury bills and Treasury bonds with the CBSL.
- 2.4 LCBs may maintain an interest margin not exceeding three per cent (3%) per annum for this facility, so that the construction sector enterprises shall have access to credit at an interest rate not exceeding four per cent (4%) per annum.

3. Key Operational Requirements

- 3.1 In order to seek this LFCS, an LCB shall forward details of the construction sector enterprises that have been issued with LAPCs by the Treasury on behalf of the Government as set out in Schedule I and the promissory note as set out in Schedule II, along with the details of government securities which are expected to be pledged for this facility as in Schedule III, to the CBSL. LCBs are advised to submit duly authenticated hard copies of Schedule I and II to the Director of the Domestic Operations Department (DOD). The soft copies of all schedules should be sent to DOD in advance, to facilitate accounting procedures.
- 3.2 LCBs are required to enter the details of Treasury bills and Treasury bonds to be pledged with the CBSL electronically through the Online Electronic Bidding System (OEBS) and the days to maturity of such pledged securities should be not less than 180 days. Pricing of the pledged securities is based on the existing price calculation used for the government securities by the CBSL.
- 3.3 On the receipt of duly completed hard copies of the schedules and agreements from an LCB, the Director of the DOD will make arrangements to credit an amount equivalent to the face value of the promissory note to the Current Account of the respective LCBs after verifying the adequacy of the pledged securities in the Schedule III. However, funds shall not be disbursed on the same day unless the hard copies of the duly completed schedules and agreements are received before 12:00 hrs.
- 3.4 LCBs are required to maintain an adequate amount of securities in their own holding to pledge at the time of releasing funds. Securities pledged under this facility will be transferred to a Securities Settlement Account in the LankaSecure System.
- 3.5 CBSL may inform LCBs of the details of upcoming maturities two weeks prior to the maturity date of the promissory note.
- 3.6 On the maturity date of the loan, the CBSL may deduct the principle amount of the loan plus the interest from the Current Account of the respective LCBs. LCBs are required to immediately repay the loan and the interest in the event that the government settles the due payments as set out in the LAPC.
- 3.7 LCBs should ensure that LFCS is exclusively utilised for on-lending to the construction sector enterprises backed by LAPCs.
- 3.8 LCBs are required to report to DOD on a fortnight basis on the utilisation of funds obtained under LFCS, as per Schedule IV, as at 15th and 30th of each month within 3 working days from the due date.
- 3.9 The Bank Supervision Department and the DOD may jointly monitor the implementation of this facility.

C A Abeyasinghe
Director/Domestic Operations

Schedule I

Liquidity Facility to the Contractors and Suppliers of the Government

1. Name of the Bank:
2. Promissory Note No :
3. Details of the Loans requested by Contractors/Suppliers:

Letter of Acceptance of Payments of Outstanding Bills Due to Contractors/Suppliers of the Government Issued by the Treasury on behalf on the Government			Office use only (CBSL Ref.)
Ref. No of Letter of Acceptance of the Treasury	Name of the Contractor/Supplier	Value (Rs.)	
1.			
2.			
3.			
4.			
5.			
Total			

4. Types of securities in Pledged Agreements:

T-Bills

T-Bonds

Date

Authorised by

You are requested to email the same to dod@cbsl.lk

Schedule II

Promissory Note No:
(Issued by the Bank)

PROMISSORY NOTE

Colombo :

Date :/...../2020

Rs. :

M/s (**Name and address of Participating Financial Institution**) promise to pay the sum of Rupees (Rs.....) in 180 days from the date hereof, to the MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA OR ITS ORDER, together with the interest thereon, at the rate of One *per centum per annum* (1% p.a).

.....
(Stamp)

.....
Name of Participating Financial Institution

.....
Signature and Rubber Stamp of the Authorized Officer

WITNESSES:

1.
2.

Office Use Only
CBSL Ref No. :
Maturity Date:
Total Amount with Interest (%):

Schedule III**CBSL Ref: 35/03/023/0001/003**

Liquidity Facility to the Construction Sector upon Letter of Acceptance of Payments Outstanding Bills to Contractors and Suppliers issued by Treasury on behalf of the Government

Details of pledged securities

1. Promissory Note No:
2. Promissory Note Value:
3. Date Issued:

	ISIN of T-Bill(s)/T-Bond(s)	Face Value of the pledged Securities (Rs.)	Market Value of the pledged Securities as per Central Bank Price File (Rs.)
1			
2			

Date :

.....
Signature & Rubber Stamp of the
Authorised Officer

You are requested to email the same to dod@cbsl.lk

Schedule IV

Liquidity Facility to Contractors and Suppliers of the Government

Name of the Bank:

Fortnight Report on Utilisation of Funds obtained under the Liquidity Facility to the Contractors/Suppliers							
#	Details of the Fund Disbursement by the CBSL			Details of the Fund Disbursement by the LCB			
	Promissory Note No.	Amount Disbursed (Rs.)	Date of Disbursement	Treasury Ref. No. for LAPC	Name of the Contractor	Amount Disbursed (Rs.)	Date of Disbursement
1.							
2.							
3.							
4.							
5.							

.....

Date

.....

Checked by

.....

Authorised by

You are requested to email the same to dod@cbsl.lk

OPERATING INSTRUCTIONS No: 35/03/023/0001/003

24 July 2020

To: CEO's of All Licensed Commercial Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS OF THE "LIQUIDITY FACILITY TO THE CONSTRUCTION SECTOR UPON LETTER OF ACCEPTANCE OF PAYMENTS OF OUTSTANDING BILLS DUE TO CONTRACTORS ISSUED BY THE TREASURY ON BEHALF OF THE GOVERNMENT"

1. You are hereby informed that as decided by the Monetary Board of the Central Bank of Sri Lanka, the credit facility provided under the scheme of "Liquidity Facility to the Construction Sector (LFCS)" has been expanded to cover the contractors and suppliers of the Government in the Construction, Pharmaceutical Sectors and such other identified sectors upon a Letter of Acceptance of Payments of Outstanding Bills Due to such Contractors and Suppliers of the Government.
2. Accordingly, the LFCS as stated in the Operating Instructions No. 35/03/023/0001/002 issued on 03.07.2020 has been renamed as "Liquidity Facility to Contractors and Suppliers of the Government in the Construction, Pharmaceutical Sectors and such other identified sectors, to be granted upon the due issuance by the Treasury on behalf of the Government, of Letters of Acceptance of Payments of Outstanding Bills Due to such Contractors and Suppliers of the Government"
3. Consequent to the above-mentioned amendments, the contents and the schedules of the Operating Instructions No. 35/03/023/0001/002, shall be applicable to Contractors and Suppliers of the Government in the Construction, Pharmaceutical Sectors and such other identified sectors.
4. "Other identified sectors" eligible under this facility will be decided by the Monetary Board from time to time given the continuing exigencies and such decisions will be informed accordingly.

Director/Domestic Operations

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 01 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorized Dealers on Release of Foreign Currency Notes for Travel Purpose

In terms of Section 9 (1) of the Foreign Exchanges Act, No. 12 of 2017, Authorized Dealers are hereby informed that Paragraph 3.1.1 of the Schedule II to the Directions No. 01 of 2017 on Current Transactions issued to Authorized Dealers on 20.11.2017 is hereby repealed and substituted with the following with effect from 19.03.2020;

- 3.1.1 Authorized Dealers shall issue foreign currency notes as travel allowance to persons resident in Sri Lanka who are travelling abroad for any purpose (including travel, business, training, medical treatment abroad, etc.), subject to a maximum of USD 5,000 (or its equivalent in other foreign currency), with an appropriate endorsement made on the passport where such person is a citizen of Sri Lanka

(sgd) R.R. Jayaratne

Director-Department of Foreign Exchange

19 March 2020

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 02 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorized Dealers on Payments for Imports made on Documents Against Payments and Open Account Payment Terms

In terms of Section 9 (1) of the Foreign Exchange Act, No. 12 of 2017, Authorized Dealers are hereby requested with immediate effect to suspend release of foreign exchange for the importation of non-essential consumer goods specified in **Schedule B** to the Annex I of Banking Act Directions No. 01 of 2020 dated 19 March 2020 on Measures to Curtail Imports and Foreign Currency Investments issued under the Banking Act No.30 of 1988, as amended, under Documents Against Payments and Open Account Payment terms, until 20 June 2020.

(sgd) R.R. Jayaratne

Director-Department of Foreign Exchange

20 March 2020

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2169/3 - THURSDAY, APRIL 02, 2020

(Published by Authority)

**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017**

Order under Section 22

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017, I, Mahinda Rajapaksa, Minister of Finance, Economic and Policy Development do by this Order,

- i. suspend making payments through Outward Investment Accounts for the purpose of making investments in overseas by persons resident in Sri Lanka under general permission granted in the Schedule I of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the Extraordinary Gazette Notification No. 2045/56 dated November 17, 2017, excluding :
 - a. 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
 - b. investments to be made to fulfill the regulatory requirement in that country provided that, the Head of Department of Foreign Exchange is satisfied with the fulfilment of such requirement;
- ii. suspend any outward remittances other than the remittances on current transactions through Business Foreign Currency Accounts or Personal Foreign Currency Accounts held by persons resident in Sri Lanka;
- iii. suspend the repatriation of funds under the migration allowance through Capital Transactions Rupee Accounts by the emigrants who have already claimed migration allowance under the general permission stated in the Schedule IV of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Extraordinary Gazette* Notification No. 2045/56 dated November 17, 2017;
- iv. limit the eligible migration allowance for the emigrants who are claiming the migration allowance for the first time up to a maximum of USD 30,000 ;
- v. the Monetary Board shall have the authority to grant permission in terms of the Section 7(10) of the Foreign Exchange Act for the investments on case by case basis which exceeds the limits specified in the general permission granted in the Schedule I of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Extraordinary Gazette* Notification No. 2045/56 dated November 17, 2017 provided that,
 - a. 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
 - b. the proposed investment is to be made to fulfill the regulatory requirement in that country

This order valied for a period of three months from April 2, 2020.

MAHINDA RAJAPAKSA,
Minister of Finance, Economic and Policy Development

Colombo,
02nd April, 2020.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 03 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorized Dealers on Loans to Business Foreign Currency Account (BFCA) holders

In terms of Section 9 of the Foreign Exchange Act, No. 12 of 2017, Authorized Dealers (ADs) are hereby informed that **Paragraph (5)** of the Directions No. 09 of 2017 on Loans to BFCA holders dated 20 November 2017 is hereby repealed and substituted with the following, with immediate effect.

- (5) (I) ADs shall carry out recovery of loans in Sri Lanka Rupees, where necessary, as a last resort upon converting such loans granted in foreign currency to Sri Lanka Rupee denominated loans. In this regard ADs shall satisfy and require to maintain

necessary documentary evidence to the effect that BFCA holder (i.e. borrower) does not receive foreign exchange cashflows in its normal course of business to service the loan full on time, as agreed in the respective loan agreement.

- (II) When complying with 5 (I) above, ADs shall also refer to the details in respect of **Relaxations on Classification of loans and advances and recovery of foreign currency loans** as specified in the letter dated 27 March 2020 issued to Chief Executive Officers of all ADs by the Governor of the Central Bank of Sri Lanka (CBSL) informing of the Extraordinary Regulatory Measures taken by the CBSL to provide flexibility to support businesses and individuals affected by the outbreak of COVID- 19.

Director

Department of Foreign Exchange

03 April 2020

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2170/4 - WEDNESDAY, APRIL 08, 2020

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

REGULATIONS made under **Section 29** read with **Section 7** of the Foreign Exchange Act, No. 12 of 2017

1. 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, are hereby permitted to open and maintain an account titled **"Special Deposit Account"** in the form of Term Deposits either in any designated foreign currency or in Sri Lanka Rupees with an authorized dealer in Sri Lanka, out of inward remittances from abroad routed through the banking system favoring the account holder during the period of six months from the date of this regulation.
2. Salient features of the Special Deposit Account shall be as follows :
 - i. Minimum tenure : Six (06) months.
 - ii. Interest payable : 1 percentage point and 2 percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable at maturity of the deposit, above the deposit interest rates applicable for normal deposits of similar maturities by the respective bank.
 - iii. Repatriation of Funds : Freely convertible and repatriable outside Sri Lanka on the maturity of the term deposits.
3. The Special Deposit Accounts will be exempted from any procedural requirements specified in the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Gazette Extraordinary* Notification No. 2045/56 dated November 17, 2017.
4. The criteria for opening and maintenance of the Special Deposit Accounts, permitted debits and credits thereof shall be in terms of the directions issued to authorized dealers by the Central Bank under Section 9 of the Act in that behalf.
5. For the purpose of these regulations, the designated foreign currencies are, United States Dollars (USD), Euro, Sterling Pound, Australian Dollars, Singapore Dollars, Swedish Kroner, Swiss Franc, Canadian Dollars, Hong Kong Dollars, Japanese Yen, Danish Kroner, Norwegian Kroner, Chinese Renminbi and New Zealand Dollars.

MAHINDA RAJAPAKSA,

Minister of Finance, Economic and Policy Development

Colombo,

08th April, 2020.

DEPARTMENT OF FOREIGN EXCHANGE

CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 04 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorized Dealers on the Special Deposit Account

In terms of the Regulations published in the Government Gazette (*extraordinary*) No 2170/4 dated 08-04-2020 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers (ADs) are permitted to open and maintain Special Deposit Accounts (SDA) at the Domestic Banking Units (DBUs) subject to the following.

2. Eligible Persons

- (a) Sri Lankan individuals resident in or outside Sri Lanka
- (b) Dual Citizens
- (c) Citizens of other States with Sri Lankan origin
- (d) Non- nationals resident in or outside Sri Lanka
- (e) Funds, corporate bodies, associations incorporated/registered outside Sri Lanka
- (f) Any other well-wishers

3. Opening and Maintaining SDAs

- (a) SDAs shall be opened during the six months period from the date of the regulations
- (b) SDAs shall be opened and maintained only in the form of Fixed Deposits. SDAs in the form of savings accounts may be opened as operational accounts only for the purpose of receiving funds to be placed in SDAs.
- (c) SDAs shall be opened and maintained either in any designated foreign currency or in Sri Lanka Rupees.
- (d) SDAs may be held as joint accounts by eligible persons.

4. Minimum tenure: Six (06) months.**5. Interest payable:** 1 percentage point and 2 percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable at maturity of the deposit, above the deposit interest rates applicable for normal deposits of similar maturities by the respective bank. **Note:** *The Central Bank of Sri Lanka will reimburse the expenses on this additional interest payments to ADs.***6. Repatriation of Funds:** Freely convertible and repatriable outside Sri Lanka on the maturity of term deposits.**7. Permitted Credits**

- (a) Inward remittances in foreign currency received from outside Sri Lanka in favor of the account holder through the banking system.
- (b) Transfers from Inward Investment Accounts (IIA) or accounts maintained in the Offshore Banking Unit by the account holder, out of the proceeds received as inward remittances during the six months period from the date of the regulations in favor of the account holder.

8. Permitted Debits

- (a) Outward remittances of maturity proceeds upon maturity of the term deposit.
- (b) Transfer of maturity proceeds of SDA term deposits to an Inward Investment Account or an account maintained in the Offshore Banking Unit by the same accountholder.
- (c) Disbursements in Sri Lanka in Sri Lanka Rupees.

9. Other Conditions

- (a) In the event of receiving funds through an Inward Investment Account or an account maintained in the Offshore Banking Unit, of the same accountholder, ADs shall ensure that such funds have been received as inward remittances into Sri Lanka.
- (b) Funds withdrawn under paragraph 8 (c) above cannot be credited back to an SDA.
- (c) Outward remittances in favor of the accountholder may be effected through an AD other than the AD with whom the SDA is maintained, provided that a confirmation shall be obtained from the AD with whom the SDA is maintained stating that the funds were debited from the SDA of the accountholder and out of the funds credited in compliance with the regulation.

10. Reporting Requirement

- (a) ADs are required to furnish information to this department on weekly basis as per the format at Annex I not later than the close of the business of the 2nd working day of the following week, via e-mail to **dfem@cbsl.lk**.
- (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirements.

Director**Department of Foreign Exchange****09 April, 2020**

Weekly statement of Special Deposit Accounts (SDAs) – Term Deposits

Annex I of Directions No. 4

Name of the Bank.....

Reporting week ended as at

000'

Currency type*	No. of accounts as at the beginning of the week	Balance as at the beginning of the week	Inward remittances**	Credits		Closing balance as at the end of the week	No. of A/Cs as at the end of the week
				IAs	Transfers from A/Cs in OBU		
USD							
EUR							
LKR							

*You may extend the rows needed for other designated currencies.

** Include transfers from the SDA saving account (operational) as well

Authorized Dealers are required to furnish both scanned copy of the reports and the MS excel version of the same as above.

Name of the Authorized officer:

Signature:

Date:

Name and the seal of the Compliance officer:

Signature:

Date:

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 05 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

**Directions issued to Authorized Dealers on Loans and Advances to Sri Lankans Employed Abroad
(other than emigrants)**

In terms of Section 9 (2) of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Section 7 (10) of the FEA, Authorized Dealers (ADs) are hereby informed that **Paragraph 4.** of Directions No. 10 of 2017 dated 20 November 2017 on Loans and Advances to Sri Lankans Employed Abroad, is hereby repealed and substituted with the following, with immediate effect.

4. (I). The tenure, security and repayment/ service of loans and advances either denominated in foreign currency or Sri Lanka Rupees shall be in terms of the regulations.
- (II). ADs shall carry out recovery of these loans granted in terms of the regulations, in Sri Lanka Rupees, as a last resort where necessary when recovery of such loans in foreign currency is remote. In this regard ADs shall;
 - a. require to convert foreign currency denominated loans in to Sri Lanka Rupee denominated loans.
 - b. shall satisfy and require to maintain necessary documentary evidence to the effect that Sri Lankans employed aboard (i.e. borrowers) does not receive sufficient foreign exchange from his/ her employment in overseas or have foreign currency assets including balances in the foreign currency accounts to service the loans full on time, as agreed in the respective loan agreements and the borrowers have been taken all measures to recover loans in foreign currency.
- (III). When complying with 4 (II) above, ADs shall also refer to the details in respect of **Relaxations on Classification of loans and advances and recovery of foreign currency loans** as specified in the letter dated 27 March 2020 issued to Chief Executive Officers of all ADs by the Governor of the Central Bank of Sri Lanka (CBSL) informing of the Extraordinary Regulatory Measures taken by the CBSL to provide flexibility to support businesses and individuals affected by the outbreak of COVID-19 and any further instructions given/ clarifications made by the Director of Bank Supervision Department of CBSL to that effect.

Director
Department of Foreign Exchange
16 April 2020

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2182/32 - WEDNESDAY JULY 01, 2020
(Published by Authority)

PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made under **Section 29** read with **Section 7** of the Foreign Exchange Act, No. 12 of 2017 (the Act).

In addition to the Regulations issued on **"Special Deposit Accounts"** published in the Gazette Extraordinary Notification No. 2170/4 dated 8 April, 2020 under the provisions of the Act,

1. Any person who is eligible to open Special Deposit Account and has arrived in Sri Lanka from overseas on or after 1 January, 2020, is eligible to open Special Deposit Accounts with any Authorized Dealer in Sri Lanka **before the expiry of Six months from 8 April, 2020**, out of foreign exchange legitimately acquired and brought into Sri Lanka by such person as follows ;
 - (a) upon a declaration made to the Customs Department at the port of arrival in terms of the Order issued under Section 8 of the Act as published in the *Gazette Extraordinary* Notification No. 2045/56 dated 17 November 2017 and any amendment thereto.
 - (b) upon an appropriate declaration to the Authorized Dealer with whom the Special Deposit Account is to be opened, where the amount of such foreign exchange is equal or less than USD 15,000 or an equivalent amount in any designated foreign currency.

2. Any person in, or resident in, Sri Lanka who has foreign currency in his/her possession up to such limits and subject to such terms and conditions, prescribed by the Minister by an Order published in the *Gazette* under Section 8 of the Act, subject to a declaration on source of funds to the Authorized Dealer, is eligible to open Special Deposit Accounts with any Authorized Dealer in Sri Lanka **before the expiry of Six months from 8 April, 2020**, out of such foreign currency in possession.

MAHINDA RAJAPAKSA,

Minister of Finance, Economic and Policy Development

Colombo,
01 July, 2020.

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2182/33 - WEDNESDAY JULY 01, 2020

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

Order under Section 8

BY virtue of the powers vested in me by paragraphs (a) and (b) Subsection (1) of Section 8 of the Foreign Exchange Act, No. 12 of 2017, I, Mahinda Rajapaksa, Minister of Finance, Economic and Policy Development, do, by this Order, prescribe the purposes, limits, terms and conditions as specified in the Schedule hereto, subject to which a person in or resident in Sri Lanka shall-

- (a) export from Sri Lanka or import into Sri Lanka, any foreign currency or Sri Lanka currency;
- (b) hold foreign exchange in his possession or in a bank account in Sri Lanka ;

Order made under Section 8 of the Foreign Exchange Act, No. 12 of 2017 published in the *Gazette Extraordinary* No. 2045/56 dated 17.11.2017 is hereby revoked.

MAHINDA RAJAPAKSA,

Minister of Finance, Economic and Policy Development

Colombo,
01st July, 2020.

SCHEDULE

PART I

**PURPOSES, LIMITS, TERMS AND CONDITIONS FOR IMPORT AND EXPORT OF
FOREIGN CURRENCY OR SRI LANKA CURRENCY**

1. (1) Any person departing from or arriving in Sri Lanka may carry any amount of foreign exchange in the form of currency notes, bank drafts, cheques, travel cards, etc. legitimately acquired by such person subject to a declaration made to the Customs Department at the port of departure or arrival, respectively, if the total value of such foreign exchange exceeds United States Dollars 15,000 or its equivalent in other foreign currencies.
- (2) However, where a person arriving in Sri Lanka intends to take back foreign currency notes exceeding United States Dollars 10,000 or its equivalent in other foreign currencies or departing from Sri Lanka carries foreign currency notes exceeding United States Dollars 10,000 or its equivalent in other foreign currencies, such person is required to make a declaration to the Customs Department.
2. Any person in, or resident in, Sri Lanka may take out of, or bring into Sri Lanka, respectively, Sri Lanka currency up to the value of Sri Lanka Rupees 20,000.
3. Any authorized dealer may export from or import in to Sri Lanka, foreign currency which has been acquired in or for the normal course of their business and within the terms of his authorization.
4. For the purpose of this Part -
“authorized dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

PART II
PURPOSES, LIMITS, TERMS AND CONDITIONS FOR HOLDING OF FOREIGN
EXCHANGE IN POSSESSION

1. Holding foreign exchange by a person in or resident in Sri Lanka

- (1) Any person in, or resident in, Sri Lanka may retain in his possession foreign currency notes up to the value of United States Dollars 15,000 or its equivalent in other foreign currencies, for any period, irrespective of the time period restrictions mentioned in paragraph 2 herein, provided that, such foreign currency represents:
 - (a) foreign currency purchased by such person from an authorized dealer or a restricted dealer for travel abroad of such person and brought back as unutilized currencies while returning to Sri Lanka; or
 - (b) foreign currency received by such person from outside Sri Lanka as a payment for a service rendered or goods supplied abroad by such person to a person resident outside Sri Lanka, or from any other legitimate source ; or
 - (c) foreign currency notes withdrawn by such person from his Personal Foreign Currency Accounts or Business Foreign Currency Accounts for travel purpose.
- (2) (a) Any person may retain in his possession foreign currency accepted in respect of goods and services supplied by such person to a person resident outside Sri Lanka or a person in or, resident in Sri Lanka carrying on a permitted business to supply goods and services under duty free concessions to passengers arriving in or departing from Sri Lanka at the ports in Sri Lanka irrespective of the residential status of the passenger to whom such goods and services are provided.
- (b) Such person shall not retain foreign currency so accepted, for a period exceeding 7 days from the date of acceptance, without depositing in a Business Foreign Currency Account in the name of the person who accepted such foreign currency or selling to an authorized dealer or to a restricted dealer, upon submitting evidence to such effect.
- (3) Any person resident outside Sri Lanka may in Sri Lanka retain in his possession without limit foreign currency if such foreign currency was acquired by him whilst he was outside Sri Lanka or from foreign exchange accounts maintained with authorized dealers or restricted dealers.

2. Period for retention of foreign exchange shall be as follows: -

- (1) Any person who obtains foreign currency from an authorized dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorized dealer or restricted dealer and does not use it for such purpose shall not retain such foreign currency for a period exceeding ninety (90) days from the date of receipt of such foreign currency without converting into Sri Lanka Rupees.
- (2) (a) Any person who obtains foreign currency from an authorized dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorized dealer or restricted dealer thereafter brings back to Sri Lanka said foreign currency or part thereof, such person shall not retain such foreign currency for a period exceeding ninety (90) days from the date of repatriation without converting into Sri Lanka Rupees.
- (b) However, a person who obtained foreign currency notes for travel purpose cumulatively up to the value of United States Dollars 15,000 or its equivalent in other foreign currencies under sub paragraph (1)(a) of paragraph 1 shall be permitted to deposit into an existing foreign currency account maintained with an authorized dealer or restricted dealer.
- (3) Any person who proceeds outside Sri Lanka for taking up employment, professional work or setting up a business, earns or receives foreign currency from such employment, profession or business and brings back to Sri Lanka, such person shall not be entitled to retain such foreign currency for a period exceeding ninety (90) days from the date of its repatriation without converting into Sri Lanka Rupees or crediting into a foreign exchange account opened and/or maintained by such person in accordance with the provisions of the Foreign Exchange Act, No. 12 of 2017.

3. For the purpose of this Part -

“authorized dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017; and

“restricted dealer” means any person, class or classes of persons not being an authorized dealer, permitted by the Central Bank of Sri Lanka to deal in foreign exchange under paragraph (a) of Sub section (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 2182/37 - THURSDAY JULY 02, 2020

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 of 2017****Order under Section 22**

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Mahinda Rajapaksa, Minister of Finance, Economic and Policy Development do by this Order.

- (i) suspend making payments through Outward Investment Accounts for the purpose of making investments in overseas by persons resident in Sri Lanka under general permission granted in the Schedule I of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Extraordinary Gazette* Notifications No. 2045/56 dated 17.11.2017, excluding :
 - (a) 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
 - (b) an additional investment to be made to fulfill the regulatory requirements in the investee's country applicable on the investment already made in compliance with the provisions of the Act or repealed Exchange Control Act, in a company or a branch office in that country, or
 - (c) an additional investment/infusion of funds (as applicable) to be made by eligible resident companies in already established subsidiaries or branch offices in overseas incorporated/established subject to the provisions of the Act or repealed Exchange Control Act, up to a maximum of USD 20,000, for the purpose of working capital requirements of the investee, or
 - (d) the remittances up to a maximum of USD 20,000 for the purpose of maintenance of liaison, marketing, agency, project, representative or any other similar offices already established in overseas subject to the provisions of the Act or repealed Exchange Control Act, by eligible resident companies,
- provided that, the Head of Department of Foreign Exchange is satisfied with the fulfillment of such requirement.
- (ii) suspend any outward remittances through Business Foreign Currency Accounts or Personal Foreign Currency Accounts held by persons resident in Sri Lanka, other than outward remittances on permitted current transactions up to any amount or outward remittances on capital transactions up to a maximum of USD 20,000 during the effective period of this Order ;
 - (iii) limit the repatriation of funds under the migration allowance through Capital Transactions Rupee Accounts by the emigrants who have already claimed migration allowance under the general permission stated in the Schedule IV of the Foreign Exchange (Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Extraordinary Gazette* Notifications No. 2045/56 dated 17.11.2017, up to a maximum of USD 20,000 during the effective period of this Order ;
 - (iv) limit the eligible migration allowance for the emigrants who are claiming the migration allowance for the first time up to a maximum of USD 30,000 ;
 - (v) the Monetary Board shall have the authority to grant permission in terms of the Section 7(10) of the Foreign Exchange Act for the investments on case by case basis which exceeds the limits specified in the general permission granted in the Schedule I of the Foreign Exchange (Capital Transaction in Foreign Exchange carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Extraordinary Gazette* Notifications No. 2045/56 dated 17.11.2017 provided that,
 - (a) 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
 - (b) the proposed investment is to be made to fulfill the regulatory requirement in the investee's country applicable on the investment already made in a company or branch office in that country in compliance with the provisions of the Act or repealed Exchange Control Act.

This Order is valid for a period of six months from the date of this Order.

MAHINDA RAJAPAKSA,

Minister of Finance, Economic and Policy Development

Colombo,
02nd July, 2020.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 06 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorized Dealers on the Special Deposit Account

In terms of the Regulations published in the Government Gazette (*Extraordinary*) No. 2170/4 dated 08 April 2020, the subsequent Regulations published in the Government Gazette (*extraordinary*) No. 2182/32 dated 01 July 2020 (the regulations) and section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers (ADs) are permitted to open and maintain Special Deposit Accounts (SDAs) at the Domestic Banking Units (DBUs), subject to the following.

2. Eligible Persons

- (a) Sri Lankan individuals resident in or outside Sri Lanka
- (b) Dual Citizens
- (c) Citizens of other States with Sri Lankan origin
- (d) Non- nationals resident in or outside Sri Lanka
- (e) Funds, corporate bodies, associations incorporated /registered outside Sri Lanka
- (f) Any other well-wishers

3. Opening and Maintaining SDAs

- (a) SDAs shall be opened during the six months period from 08 April 2020.
- (b) SDAs shall be opened and maintained only in the form of Term Deposits. SDAs in the form of savings accounts may be opened as operational accounts only for the purpose of receiving funds to be placed in SDAs.
- (c) SDAs shall be opened and maintained either in any designated foreign currency or in Sri Lanka Rupees (LKR).
- (d) SDAs may be held as joint accounts by eligible persons.

4. Minimum tenure: Six (06) months.

5. Interest payable: One (1) percentage point and two (2) percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable (in the currency of deposit) at the maturity of the SDAs, in addition to the deposit interest rates applicable for normal deposits of similar maturities by the respective AD.

Note: *The Central Bank of Sri Lanka (CBSL) will periodically reimburse the additional interest to the ADs in LKR, converted using an indicative rate specified by the CBSL applicable on the date of paying such interest at the maturity of the deposit.*

6. Repatriation of Funds: Freely convertible and repatriable outside Sri Lanka on the maturity of term deposits.

7. Permitted Credits

- (a) Inward remittances in foreign currency received from outside Sri Lanka in favour of the account holder through the banking system.
- (b) Transfers from Inward Investment Accounts or accounts maintained in the Offshore Banking Unit by the account holder, out of the proceeds received as inward remittances during the six months period from 08 April, 2020 in favour of the account holder.
- (c) Foreign exchange legitimately acquired and brought by the account holder who arrived into Sri Lanka on or after 01 January, 2020 subject to a declaration made to the Customs Department at the port of arrival, as prescribed by the Minister by an Order published in the Gazette under section 8 of FEA.
- (d) Foreign exchange equal or less than USD 15,000 or an equivalent amount in any designated foreign currency legitimately acquired and brought by the account holder who arrived into Sri Lanka on or after 01 January, 2020 subject to an appropriate declaration to the AD.
- (e) Foreign Currency notes in possession of any person in, or resident in, Sri Lanka up to such limits and subject to such terms and conditions, as prescribed by the Minister by an Order published in the Gazette under section 8 of FEA, subject to a declaration on source of funds to the AD.

8. Permitted Debits

- (a) Outward remittances of maturity proceeds upon maturity of the deposit.
- (b) Transfer of maturity proceeds of SDA term deposits to an Inward Investment Account or an account maintained in the Offshore Banking Unit by the same account holder.
- (c) Disbursements in Sri Lanka in Sri Lanka Rupees.

9. Other Conditions

- (a) In the event of receiving funds through an Inward Investment Account or an account maintained in the Offshore Banking Unit, of the same account holder, ADs shall ensure that such funds have been received as inward remittances into Sri Lanka on or after 08 April 2020.
- (b) ADs shall ensure that inward remittances which are subject to other regulatory requirements such as export proceeds, returns/sale proceeds of investments made outside Sri Lanka by resident investors or other inward remittances subject to any other statutory requirements are not qualified to be credited to an SDA.
- (c) Premature withdrawals shall be discouraged before the minimum tenure of 6 months.

Premature withdrawal of SDAs shall not be eligible for any additional interest payable as per paragraph 5 above.

- (d) SDAs with 6 months maturity period may be rolled over only for a further 6 months term and will be only eligible for additional interest offered for 6 months tenure SDAs (i.e. 1 percentage point per annum payable at maturity of the deposit, above the deposit interest rates applicable for normal deposits of similar maturities by the respective bank).
- (e) ADs may consider SDAs as collaterals for granting loans in Sri Lanka rupees to persons resident in Sri Lanka. Further, SDAs may be used as collaterals for granting Sri Lanka Rupee loans or Foreign Currency loans to any person resident outside Sri Lanka, subject to the relevant regulations on granting loans to such persons as permitted in the Regulations No. I of 2017 published in the Gazette (*Extraordinary*) No. 2045/56 dated 17.11.2017.
- (f) Funds withdrawn under paragraph 8 (c) above cannot be credited back to an SDA.
- (g) In the event of inward remittance in favour of the accountholder routed via another AD due to any correspondence banking relationship, the AD who is the recipient of the inward remittance shall at the time of transferring such funds issue a confirmation, to the AD with whom the SDA is to be opened, stating that such funds have been received as eligible inward remittances.
- (h) Outward remittances in favour of the accountholder may be effected through an AD other than the AD with whom the SDA is maintained, provided that a confirmation shall be obtained from the AD with whom the SDA is maintained stating that the funds were debited from the SDA of the accountholder and out of the funds credited in compliance with the regulations.
- (i) At the time of opening the deposit, ADs shall make customer aware on the terms and conditions of the SDAs.

10. Reporting Requirement

- (a) ADs are required to furnish information to this department on weekly basis as per the formats at Annex J and Annex 2 not later than the close of the business of the 2nd working day of the following week, via e-mail to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirements.

11. Directions No. 04 of 2020 dated 09 April 2020 on SDAs are hereby rescinded.

12. The revocation of previous Directions referred to in Paragraph II above shall not affect any rights accrued on or penalties or liabilities incurred under them prior to the revocation.

Director
Department of Foreign Exchange
06 July 2020

Weekly statement of Special Deposit Accounts (SDAs)- Term Deposits

Annex I

Name of the Bank.....

Reporting week ended as at

000'

Currency type*	No. of accounts as at the beginning of the week	Balance as at the beginning of the week	Credits				Closing balance as at the end of the week	No. of A/Cs as at the week
			Inward remittances**	Transfers from		Foreign currency deposits		
				IIAs	A/Cs in OBU			
USD								
EUR								
LKR								

*You may extend the rows needed for other designated currencies.

** Include transfers from the SDA saving account (operational) as well

Authorized Dealers are required to furnish both scanned copy of the reports and the MS excel version of the same as above. We verify the above information extracted/generated from the books of accounts of the bank is accurate.

Name of the Authorized officer:

Signature:

Date:

Name and the seal of the Compliance officer:

Signature:

Date:

Weekly statement of Special Deposits Accounts (SDAs)- Term deposits (Individual details for the purpose of reimbursement of additional interest)

Annex II

Name of the Bank.....

Reporting Week, Month and Year:.....

Branch Name	Branch Code	Name of the account holder**	Residency of the account holder	NIC/ Passport No.	Currency code*	Account Number	Date of open (dd-m m-yy)	Deposit amount	Tenure of the deposit in months (tick appropriate column)	Maturity date (dd-mm-yy)	Normal Interest rate given by the bank (excluding the additional interest granted by CBSL) (% p.a.)	Additional interest granted by CBSL (1 % p.a. for 6 months or 2% p.a. for 12 months)	Interest to be paid by bank at the maturity (Amount)	Interest to be claimed from CBSL (Amount)	To be filled by CBSL
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
					USD				6						
					EUR				12						
					LKR										

Note : * You may extend the rows needed for other designated currencies.

** if the same individual maintains several deposits, use separate row for each deposit.

Authorized Dealers are required to furnish both scanned copy of the report and the MS excel version of the same as above.

We verify the above information extracted/generated from the books of accounts of the bank is accurate.

Name of the Authorized officer:

Signature:

Date:

Name and the seal of the Compliance officer:

Signature:

Date:

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2196/22 - TUESDAY, OCTOBER 06, 2020

(Published by Authority)

**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 of 2017**

Regulations made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017

IN addition to the Regulations issued in the *Gazette (Extraordinary)* Notifications No. 2170/4, dated 8th April, 2020 and *Gazette (Extraordinary)* Notifications No. 2182/32, dated 1st July, 2020 (Regulations), permission is granted to renew and continue the Special Deposit Accounts (SDAs) opened under the Regulations in the Domestic Banking Unit, as SDAs, beyond the designated date of maturity.

SDAs so maintained beyond the date of maturity, will only be eligible for interest rates offered by the Authorised Dealers for normal term deposits, and the funds held in such SDAs can be freely convertible and repatriable outside Sri Lanka on the maturity of the term deposits.

MAHINDA RAJAPAKSA,
Minister of Finance, Economic and Policy Development

Ministry of Finance,
Colombo 01,
October 06, 2020.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 07 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorized Dealers on Personal Foreign Currency Accounts (PFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 3 of 2017 published in the *Gazette (Extraordinary)* Notifications No. 2045/56 dated 17 November, 2017 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017, Authorized Dealers (ADs) are hereby granted permission to facilitate the following credit to PFCAs, in addition to the credits specified in the regulations and the Directions No. 03 of 2017 issued to ADs on PFCAs.

1. Permitted Credit

- a) Maturity proceeds including the interest of Special Deposit Accounts (SDAs) opened and maintained by the same account holder in terms of the Directions No. 06 and No 09 of 2020 issued on SDAs, provided that such person is eligible to open and maintain PFCAs in terms of the regulations.

**Additional Director
Department of Foreign Exchange
07.10.2020**

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO.8 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorized Dealers on Inward Investment Accounts (IIAs)

In terms of the Regulations No 2 of 2017 (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) published in the *Gazette (Extraordinary)* Notifications No. 2045/56 dated 17 November 2017 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers are hereby granted permission to facilitate the following credit to the IIAs, in addition to the credits specified in the regulations and the Directions No 13 of 2017 dated 20 November 2017 and Directions No 02 of 2018 dated 21 December 2018, issued to ADs on IIAs.

2. Permitted Credits

- (a) Maturity proceeds including the interest of Special Deposit Accounts (SDAs) opened and maintained by the same account holder in terms of the Directions No. 06 and No 09 of 2020 issued on SDAs, provided that such person is eligible to open and maintain an IIA in terms of the regulations.

Additional Director

Department of Foreign Exchange

07.10.2020

DEPARTMENT OF FOREIGN EXCHANGE CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 9 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorized Dealers on Special Deposit Accounts (SDAs)

In terms of the Regulations published in the *Gazette (Extraordinary)* Notifications No. 2170/4, dated 08 April, 2020, the subsequent Regulations published in the *Gazette (Extraordinary)* Notifications No. 2182/32, dated 01 July, 2020 and *Gazette (Extraordinary)* Notifications No. 2196/22, dated 06 October, 2020 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers (ADs) are hereby granted permission to facilitate the following debits in addition to the debits specified in the Directions No 06 of 2020 dated 06 July, 2020 issued to ADs on SDAs. Further, ADs are required to comply with the conditions under paragraph 3 of these Directions in addition to the conditions specified in the Directions No 06 of 2020.

2. Permitted Debits

- (a) Transfer of maturity proceeds including the interest of SDAs into an Inward Investment Account (IIA) of the same account holder, provided that such SDA holder is eligible to maintain an IIA in terms of the Regulations No. 2 of 2017 (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) published in the *Gazette (Extraordinary)* No. 2045/56 dated 17 November 2017.
- (b) Transfer of maturity proceeds including the interest of SDAs into a Personal Foreign Currency Account (PFCA) of the same account holder, provided that such SDA holder is eligible to maintain PFCAs in terms of the Regulations No. 3 of 2017 (Opening and Maintenance of Foreign Exchange Accounts) published in the *Gazette (Extraordinary)* No. 2045/56 dated 17 November 2017.

3. Other Conditions:

- (a) ADs may continue to maintain SDAs opened under the Regulations, as normal term deposits in the name of "Special Deposit Account" in the Domestic Banking Unit beyond the designated date of maturity of such SDAs. These SDAs so maintained beyond the date of maturity shall only be offered with the normal deposit interest rates offered by the ADs for other term deposits.
- (b) ADs shall maintain documentary evidences pertaining to SDAs beyond any statutory record keeping requirements until the closure of such SDA.

4. Reporting Requirement

- (a) ADs are required to furnish information to this department on monthly basis as per the format at Annex 1 to these Directions with effect from the month of October 2020 on or before the 15th day of the following month, via email to dfem@cbsl.lk.
- (b) ADs are required to continue to report information requested at Annex 2 of the Directions No. 6 of 2020 on SDAs, if such SDAs are to be continued as per the paragraph 9(d) of the said Directions.

Additional Director

Department of Foreign Exchange

07.10.2020

Monthly statement of the Special Deposit Accounts (SDAs) continued to be operated as normal term deposits

Annex I

Name of the Bank.....

Reporting month and year

000'

Currency type*	No. of A/Cs as at the beginning of the month	Balance as at the beginning of the month	SDAs continued to be operated as normal term deposits during the month		Debits			Closing balance as at the end of the month	No. of A/Cs as at the end of the month	
			No. of A/Cs	Amount	Withdrawals in Sri Lanka	Outward Remittances	Transfers to			
							IIAs			PFCAs
USD										
EUR										
LKR										

*You may extend the rows needed for other designated currencies.

Authorized Dealers are required to furnish both scanned copy of the reports and the MS excel version of the same as above.
We verify the above information extracted/generated from the books of accounts of the bank is accurate.

Name of the Authorized officer:

Signature:

Date:

Name and the seal of the Compliance officer:

Signature:

Date:

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 2202/7 - TUESDAY, NOVEMBER 17, 2020

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 OF 2017**

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

1. The Regulations published in the *Gazette (Extraordinary)* No. 2170/4, on 8 April 2020, are amended as follows :-
 - (a) The words “Six months” appearing in paragraph 1 is hereby repealed and replaced by the words “Twelve months”.
2. The Regulations published in the *Gazette (Extraordinary)* No. 2182/32, on 1 July 2020, are amended as follows :-
 - (a) The words “Six months” appearing in paragraph 1 and paragraph 2 are hereby repealed and replaced by the words “Twelve months”.

MAHINDA RAJAPAKSA,
Minister of Finance

Colombo,
16th November, 2020.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 10 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017**Directions issued to Authorized Dealers on the Special Deposit Account (SDAs)**

In terms of the Regulations published in the Government Gazette (*Extraordinary*) No. 2202/7 dated 17 November, 2020, and section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), the Directions No. 06 of 2020 are amended as follows. Further, Authorized Dealers (ADs) are required to comply with the other conditions stated under paragraph 3 of these Directions.

2. Directions No. 06 of 2020

- 2.1 The word “Six” appearing in the paragraph 3 (a) and 7 (b) is hereby repealed and replaced by the word “Twelve”.

3 Other conditions

- 3.1 ADs may open SDAs for eligible persons out of funds received as inward remittances for the purpose of opening SDAs under the Regulations published in the Gazette No. 2170/4 dated 08 April, 2020, during the period from 07 October, 2020 to 12 October, 2020, and have been credited into a Personal Foreign Currency Account of such eligible person provided that such inward remittances have been received solely for the purpose of opening of SDAs.

4 Reporting Requirement

- 4.1 Reporting requirements stipulated under Directions No. 06 of 2020 and Directions No. 09 of 2020 on SDAs are hereby repealed.
- 4.2 ADs are required to furnish information on SDAs via e-mail dfem@cbsl.lk to this department as follows;
 - i. **on weekly basis**, as per the format at **Annex I** to these Directions, not later than the close of the business of the 2nd working day of the following week, and
 - ii. **on monthly basis**, as per the format at **Annex II** to these Directions, on or before the 15th day of the following month
- 4.3 ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of the accounts of their respective banks, as per the above reporting requirements.

Director
Department of Foreign Exchange
25 November, 2020

Weekly statement of Special Deposit Accounts (SDAs)- Term Deposits

Annex I of Directions No. 10

Name of the Bank:

Reporting week, Month and Year:

Table 1 - SDAs opened during the week

000'

Branch Name	Branch Code	Name of the account holder*	Residency of the account holder**	NIC/ Passport No.	Currency code	Account Number	Date opened (dd-mm-yy)	Amount of the Deposit	Tenure of the deposit in months (tick appropriate column)		Maturity date (dd-mm-yy)	Normal Interest rate offered by the bank (excluding the additional interest granted by CBSL) (% p.a.)	Additional interest rate applicable (1% p.a. for 6 months or 2% p.a. for 12 months)	Interest to be paid by bank at the maturity (Amount)	Interest to be claimed from CBSL (Amount)
									6	12					

Table 1(a) - Source of funds of the SDAs opened during the week reported in the table (1) above - Currency wise summary

Currency code ***	Inward remittances	Transfers from		Foreign currency deposits
		IIAs	A/Cs in OBU	
USD				
EUR				
LKR				

Note : * If the same individual maintains several deposits, use separate rows for each deposit

** Residency of the account holder

R - Resident
NR - Non-Resident

*** You may extend the rows needed for other designated currencies.

Authorized Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name of the Authorized officer:

Name and the seal of the Compliance officer:

Signature:

Signature:

Date:

Date:

Monthly Statements of Special Deposit Accounts (SDAs) matured/ rolled over/ continued as normal deposits

Page 01 of Annex II of Directions No. 10

Name of the Bank:

Reporting Month and Year:

Table 1 - SDAs rolled over during the month under paragraph 9(d) of the Directions No. 06 of 2020 under FEA

000'

Branch Name	Branch Code	Name of the account holder*	Residency of the account holder**	NIC/ Passport No.	Currency code	Account Number	Date rolled over (dd-mm-yy)	Amount of the Deposit	Maturity date (dd-mm-yy)	Normal Interest rate offered by the bank (excluding the additional interest granted by CBSL) (% p.a.)	Interest to be paid by bank at the maturity (Amount)	Interest to be claimed from CBSL (Amount)

Table 2 - SDAs continued as normal deposits during the month under paragraph 3(a) of the Directions No. 09 of 2020 under FEA

Branch Name	Branch Code	Name of the account holder*	Residency of the account holder**	NIC/ Passport No.	Currency code	Account Number	Date of continued as normal deposit (dd-mm-yy)	Amount of the Deposit	Maturity date (dd-mm-yy)	Interest rate offered by the bank	Interest to be paid by bank at the maturity (Amount)

Table 3 - SDAs matured during the month and did not role over under paragraph 9(d) of the Directions No. 06 of 2020 under FEA or continued under paragraph 3(a) of the Directions No. 09 of 2020 under FEA

Branch Name	Branch Code	Name of the account holder*	Residency of the account holder**	NIC/ Passport No.	Currency code	Account Number	Date opened (dd-mm-yy)	Amount of the Deposit	Maturity date (dd-mm-yy)	Interest rate offered by the bank	Interest paid by bank at the maturity (Amount)

Table 3(a) - Debits of funds held in SDAs reported in the table (3) above after the maturity - Currency wise summary

Currency code ***	Withdrawn in Sri Lanka	Remitted outside Sri Lanka	Transferred to		
USD			IAs	PFCAs	A/Cs in OBU
EUR					
LKR					

Note : * If the same individual maintains several deposits, use separate rows for each deposit

** Residency of the account holder

R - Resident

NR - Non-Resident

*** You may extend the rows needed for other designated currencies.

Authorized Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above
We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name of the Authorized officer:

Name and the seal of the Compliance officer:

Signature:

Signature:

Date:

Date:

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 11 OF 2020 UNDER FOREIGN EXCHANGE ACT NO. 12 OF 2017

Directions issued to Restricted Dealers who are solely engaged in money changing business (Money Changers) on Buying, Selling and Exchanging Foreign Currencies.

In terms of section 9 read with section 4(2) and section 6 of the Foreign Exchange Act No. 12 of 2017 (the FEA), Restricted Dealers (RDs) are required to engage in buying, selling and exchanging foreign currencies subject to the following;

2. General Conditions

- 2.1 Every Money Changer shall have a money changing permit (permit) issued by the Director of the Department of Foreign Exchange (D/DFE) specifying a period to engage in buying, selling and exchanging foreign currencies.
- 2.2 Further to these Directions, every Money Changer shall comply with the terms and conditions stipulated in such permit.
- 2.3 The directors, substantive shareholders, ultimate beneficial owners and management of the money changing company shall be fit and proper persons to conduct money changing activities in terms of the criteria stipulated in the affidavit which shall be submitted at the time of applying for the permit.
- 2.4 Every Money Changer shall furnish to the D/DFE a separate list of names of employees who are involved in the money changing business, together with their designations and specimen signatures authorized by such Money Changer at the time of issuance of the permit. Any subsequent changes shall be informed to the D/DFE within **three (3) working days** from such changes.
- 2.5 No person/s other than those whose names and other particulars have been furnished with regard to a particular place of business under paragraph 2.4 above shall engage in the money changing business at the said place of business.
- 2.6 Money Changers shall engage in transactions prescribed in the permit at the authorized places of business which shall be maintained exclusively to carry out the money changing business. If the Money Changers wishes to engage in any other business in addition to the money changing business at the same place, it shall be notified to the D/DFE and be conducted separately from the money changing business.
- 2.7 If any Money Changer wishes to open/relocate an authorized place of business, Money Changers shall obtain prior written approval from the D/DFE to effect such change. Further, if any Money Changer wishes to close an authorized place of business, change the ownership structure and directors and transfer the shares, the Money Changer shall inform the D/DFE prior to effect such change.
- 2.8 The authorized places of business of the company shall accept only the foreign currencies that could be sold to an Authorized Dealer on pre-agreements made with them and the Money Changers shall forward separate lists of foreign currency types included in the agreements for each place of business to the D/DFE at the beginning of the year. The lists may be amended from time to time and such amendments shall be informed to the D/DFE within **three (03) working days**.
- 2.9 Foreign currency purchased or exchanged or the balance amount in foreign currencies after selling foreign currencies, if the Money Changer is eligible to sell foreign currencies against Sri Lanka rupees, shall be deposited into a separate Sri Lanka Rupee Account maintained with an Authorized Dealer within **five (05) working days** from such purchases and exchanges.
- 2.10 Foreign currency notes may be accepted in exchange for any foreign currency or for Sri Lanka rupees not exceeding the rate offered to the Money Changers by an Authorized Dealer with whom the Money Changers maintains an account.
- 2.11 Prior to accept and issue foreign currency notes, Money Changer shall ensure the validity of the same by verifying that such notes are not demonetized by the issuing authority of the respective country.
- 2.12 Money Changers shall install Closed-Circuit Television System (CCTV) at each place of business, enabling the Department of Foreign Exchange to monitor the money changing activities conducted by such Money Changers at any time, complying with the specifications given by D/DFE.
- 2.13 Every Money Changer shall permit the officers nominated by D/DFE to conduct on-site investigations in terms of the provisions of the Foreign Exchange Act, No. 12 of 2017.

3. Additional Directions applicable only for the Money Changers who are permitted to sell foreign currency notes against Sri Lanka Rupees;

- 3.1 Money Changers are eligible to sell foreign currency notes against Sri Lanka Rupees to persons resident in Sri Lanka for the purpose of foreign travels.
- 3.2 The amount of foreign currency notes to be sold by each authorized place of business per transaction per each foreign travel to persons resident in Sri Lanka shall not be exceeded USD 5,000 or equivalent in other convertible foreign currencies. If any authorized person has already issued foreign currency notes equivalent to USD 5,000 or more for a foreign travel and if such transaction has already been endorsed in the passport, Money Changers shall not issue foreign currencies again for the same travel. However, if such authorized person has issued foreign currencies less than USD 5,000 or equivalent in other convertible foreign currencies, Money Changers are permitted to sell the balance amount up to a limit of USD 5,000 or equivalent in other currencies with due endorsement in the passport using due diligence.
- 3.3 The Money Changers may issue foreign currencies subject to the limit given in the paragraph 3.2 above after obtaining documents given in the table in **Annex 1** that are necessary to satisfy with the bona-fide of the request.
- 3.4 The residency of a person may be determined in terms of the Order issued by the Minister in charge of the Central Bank under section 31(3) of FEA.
- 3.5 All sales of foreign currency notes against Sri Lanka Rupees shall be made at competitive market rates and on applications made on "Form I" as in the **Annex 2**.
- 3.6 All sales of foreign currencies shall be endorsed in the specific pages reserved for this purpose in the passport of the person who requests such foreign currencies, with an authorized signature on a rubber stamp.

4. Record Keeping Requirements

- 4.1 All transactions shall be automated by installing a suitable operating software for conducting foreign exchange activities in each place of business.
- 4.2 The company shall not effect any transaction without recording in the automated system and without issuing a receipt. Further, a transaction recorded in the automated system shall not be deleted under any circumstance. If any mismatch is identified in the foreign currency amounts recorded in the automated system after authorizing the transaction, the company shall immediately rectify such error after informing forthwith to the D/DFE.
- 4.3 The company shall make arrangements to implement a back-up arrangement to store records of all such transactions.
- 4.4 Receipts
 - i. The receipt shall be issued by the Money Changers at the time of buying, selling or exchanging foreign currency notes.
 - ii. Printing receipts

Receipts shall be printed through such automated system in serial number order and issued to all customers at the time of transaction. The address of the place of business shall be clearly indicated in the receipt.
 - iii. Specifications of the receipts
 - a. For the Money Changers who are permitted **only to buy and exchange** foreign currency notes - The receipt shall contain information specified in **Annex 3**.
 - b. For the Money Changers who are permitted **to sell** foreign currency notes against Sri Lanka Rupees -The receipt shall contain information specified in **Annex 4**.
 - iv. Data shall be entered in to all fields in the receipt.
 - v. It is required to maintain dual control (requiring two people to engage) in entering and authorization of transactions to the system. All transactions shall be authorized by the Authorized Officer immediately prior to issuing the receipt to the customer.
 - vi. Receipts shall be clear, legible and printed in two copies. The original receipt shall be issued to the customer and the second copy shall be retained by the company and the facility to retrieve the records of issuing receipts shall be available in the automated system.

4.5 Purchase and Sales Register

- i. **Purchase Register** – All transactions related to purchases of foreign currency notes shall be recorded in the automated system at the time of transaction, enabling to generate the purchase register as per the specimen given in **Annex 5**.
- ii. **Sales Register** - (Only for the Money Changers who are permitted **to sell** foreign currency notes against Sri Lanka Rupees) - All transactions in relation to selling foreign currency notes against Sri Lanka Rupees shall be recorded in the automated system at the time of transaction, enabling to generate the sales register as per the specimen given in **Annex 6**.
- iii. The identification of the Authorized Officer of the Money Changers shall be clearly indicated in the Register.
- iv. Separate registers shall be maintained at each place of business.

4.6 Filling and retaining of “Form I”

Money Changers shall retain Form I referred to in paragraph 3.5 above along with documentary evidence required to satisfy with the *bona-fide* of underlying transactions within the authorized places of business enabling regular investigations by the Central Bank of Sri Lanka.

4.7 Balance Statements

- i. The automated system shall be capable to generate balance statements summarizing transactions daily and monthly for each place of business.
- ii. Specifications of the Balance Statement
 - a. For the Money Changers who are permitted **only to buy and exchange** foreign currency notes - Automated systems of the Money Changers shall be capable to generate balance statements according to the format given in **Annex 7**.
 - b. For Money Changer who are permitted **to sell** foreign currency notes against Sri Lanka Rupees - Automated systems of the Money Changers shall be capable to generate balance statements according to the format given in **Annex 8**.

4.8 The Money Changers shall be capable to make available receipts, the Purchase Register, the Sales Register and Balance Statements as and when required by the D/DFE or any other officer nominated by D/DFE.

4.9 The Money Changer shall comply with statutory record keeping requirements, in terms of section 9(5) of the FEA and the Financial Transactions Reporting Act, No. 06 of 2006.

5. Reporting Requirements

5.1 Daily purchases of foreign currency

Daily purchases of foreign currency carried out at each authorized place of business shall be reported separately to the Department of Foreign Exchange **during the day** through the Web Based Reporting System introduced by the Department of Foreign Exchange.

5.2 Daily sales of foreign currency

Daily sales of foreign currency carried out by the Money Changers who are permitted to sell foreign currency notes against Sri Lanka Rupees at each authorized place of business shall be reported separately to the Department of Foreign Exchange **during the day** through the Web Based Reporting System introduced by the Department of Foreign Exchange.

5.3 Monthly Statement of Deposits

- (i) Monthly statements of deposits of foreign currency shall be generated through the automated system.
- (ii) Hard copies of monthly statement of deposits of foreign currency prepared separately for each place of business and confirmed by respective Authorized Dealer(s), shall be furnished to the Department of Foreign Exchange **on or before 10th working day** of the following month in the format given in **Annex 9**. Further, Money Changers are required to furnish the Microsoft Excel version of the same for each place of business by email to dfem@cbsl.lk

5.4 The company shall report all suspicious transactions to the Director, Financial Intelligence Unit, Level 14, Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 01, in terms of the Prevention of Money Laundering Act, No. 5 of 2005 (as amended) or Financial Transactions Reporting Act, No. 06 of 2006.

5.5 Audited accounts of the company shall be furnished to the Department of Foreign Exchange within **six (06) months** period from the end of each financial year.

6. Disclosures

6.1 The company shall display daily rates of exchange at which foreign currency notes may be bought, sold or exchanged in a conspicuous place at each authorized place of business.

6.2 The permit shall be displayed conspicuously at each authorized place of business of the company and be produced for investigations as and when required.

6.3 The company shall display the name board including the permit number and the Logo given in the **Annex 10** with a radius of 10 inches on a board (60cmX60cm) on a white background in the colour of red {Pantone 187C (100%)} reasonably corresponding to the proportions as shown in the **Annex 10** prominently at each place of business informing the public that such place of business has been authorized for money changing.

7. Interpretations for the purpose of this Directions:

a. "Authorized Places of Business" means;

The places of business of Restricted Dealers permitted by the D/DFE to deal in foreign exchange in terms of section 4 (2) read with section 16 of the FEA

b. "Authorized Dealer" means;

Authorized Dealer in terms of section 33 of the FEA.

c. "Authorized Person" means;

Authorized Dealer or Restricted Dealer in terms of section 4 of FEA

d. "Authorized Officer" means;

The person authorized by the Restricted Dealer to authorize foreign exchange transactions carried out at authorized places of business.

e. "Authorized Signature" means;

The signature of the person authorized by the Restricted Dealer to engage in the business referred in these directions.

Director

Department of Foreign Exchange

25 November, 2020

Annex. I

Documents required for issuing of foreign currencies for travel abroad

	Purpose of Travel	Documents Required
1	Holiday & Pilgrimage	(i) a valid visa for the country to be visited, if a visa is required; and (ii) a return air ticket for travel.
2	Business purposes	(i) a valid visa for the country to be visited, if a visa is required; and (ii) a letter confirming the position held by the applicant in the business organization, whether as director, partner, sole proprietor, or employer;
3.	Official purposes	(i) a valid visa for the country to be visited, if a visa is required; (ii) a letter from the Secretary to the Ministry or head of the government Department or the institution in which the applicant is employed confirming the applicant's nomination for travel for an official purpose; and (iii) letter of approval granted by the President or the Prime Minister, as the case may be, permitting the applicant to leave the country;

4.	Private training courses	<ul style="list-style-type: none"> (i) a valid visa, if required for the country of travel; (ii) a letter nomination of the applicant from the applicant's employer containing the EPF number of the applicant; (iii) documentary evidence from the training institution of the country of training that the applicant has been accepted for training;
5.	Sports	<ul style="list-style-type: none"> (i) a valid visa for the country to be visited, if a visa is required; (ii) a letter of nomination of the applicant by the sports body and a letter of recommendation by the Ministry responsible for sports; (iii) where the applicant is a public officer, a letter of approval granted by the President or the Prime Minister, as the case may be, permitting the applicant to leave the country; (iv) where the applicant is a member of the Defense forces or the Police Force, a letter of approval by the Ministry responsible for defense.
6.	Conferences, seminars and workshops	<ul style="list-style-type: none"> (i) a valid visa, if required, for the country where the conference, seminar or workshop is held; (ii) a letter of invitation for the applicant from the country; (iii) a letter of nomination of the applicant by the employer for participation in the conference, seminar or workshop; or any document showing the applicant's eligibility for such participation;
7.	Education (Living expenses only)	<ul style="list-style-type: none"> (i) certificate of enrolment as a student from a recognized educational institution abroad and documentary evidence from the same institution regarding his expenses. (ii) a student visa
8.	Medical	<ul style="list-style-type: none"> (i) an invoice or an estimate from recognized nursing home/ hospital abroad regarding medical expenses, doctors and nursing chargers etc.. together with a recommendation from a local medical specialist. (ii) a valid visa

Annex 2

Sale of Foreign Exchange by a Restricted Dealer																		Form 1																			
NIC/Passport./ Company Reg. No.																		Serial No.																			
Income Tax File No.																		Permit No.																			
Applicant Name																		DFE/RD																			
Applicant Address																		Branch Name																			
																		Country Code																			
Source of the Fund of the Customer																																					
Air ticket No. (only for travel purpose)																		Bank Draft																			
Beneficiary Name																																					
Beneficiary Address																		Telegraphic Transfer																			
Purpose																		Travel Card																			
Applied Foreign Exchange Amount																		USD																			
																		EUR																			
																		GBP																			
I declare that all information given by me is true and correct.																																					
Date																		Signature of applicant																			
Restricted Dealer Use																	Signature of Teller																			
																	Signature & seal of the Restricted Dealer																			
Note:	The applicant should be the person who converts Sri Lanka Rupees to Foreign Exchange. For example a company providing foreign exchange to an employee for business travel shall be the applicant and the employee shall be the beneficiary.																																				

Annex 3

Receipt to be issued at the time of buying and exchanging foreign currency notes against Sri Lanka Rupees or any other foreign currency

Name, Address and Contact Details of the Authorized Place of Business

Permit No: DFE/RD/.....

Serial No: _____

Date : _____

Name of the Customer : _____

NIC/Passport No : _____

Nationality : _____

Address : _____

Currency Type	Amount Received in Foreign Currency	Rate Offered	Amount Issued (Rs./Different Foreign Currencies)

Signature of the customer

Signature and the stamp of the Restricted Dealer

Annex 4

Receipt to be issued at the time of buying and exchanging foreign currency notes against Sri Lanka Rupees or any other foreign currency

Name, Address and Contact Details of the Authorized Place of Business

Permit No: DFE/RD/.....

Serial No: _____

Date : _____

Name of the Customer : _____

NIC/Passport No : _____

Nationality : _____

Address : _____

Amount Received in LKR	Currency Type	Rate Offered	Amount Issued/ Sold in USD or other convertible foreign currencies

Signature of the customer

Signature and the stamp of the Restricted Dealer

Purchase Register

[illegible]

Annex 6

Sales Register

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Serial Number of Entry	Date	Name and Address of the Customer	NIC/Passport Number	Countries to be visited	Amount Released in Foreign Currencies	Rate of Exchange Vis-à-vis Sri Lanka Rupee	Identification of the Authorized Officer	Remarks

Annex 7

Balance Statement for the Money Changers who are permitted only to buy and exchange of foreign currency notes

Balance Statement from (Date) to (Date)

Currency Type	Opening Balance	Total Foreign Currency Purchases	Exchange in to Other Foreign Currency	Sales to the Authorized Dealer	Closing Balance
USD					
GBP					
EUR					
Other Currency					

Note: You may extend the rows needed for other foreign currencies.

Annex 8

Balance Statement for the Money Changers who are permitted sell foreign currency notes against Sri Lanka Rupees

Balance Statement from (Date) to (Date)

Currency Type	Opening Balance	Total Foreign Currency Purchases	Exchange in to Other Foreign Currency	Sales to the Authorized Dealer	Sales to the Public	Closing Balance
USD						
GBP						
EUR						
Other Currency						

Note: You may extend the rows needed for other foreign currencies.

Annex 9

Monthly Statement of Foreign Currency Deposits

Name of the Restricted Dealer / Branch :

Permit No. :

DFE/ RD/

Reporting Month & Year :

Type of Currency	Currency Code	Total Deposits
Utd. Arab Emir, Dirham	AED	
Australian Dollar	AUD	
Bahrain Dinar	BHD	
Brunei Dollar	BND	
Canadian Dollar	CAD	
Swiss Franc	CHF	
Chinese Yuan (Renminbi)	CNY	
Cyprus Pounds	CYP	
Danish Kroner	DKK	
Euro	EUR	
British Pound	GBP	
Hong Kong Dollar	HKD	
Indonesian Rupiah	IDR	
Jordan Dinar	JOD	
Japanese Yen	JPY	
Korean Won	KRW	
Kuwait Dinar	KWD	
Malaysia Ringgit	MYR	
Norwegian Kroner	NOK	
New Zealand Dollar	NZD	
Omani Rial	OMR	
Philippines Peso	PHP	
Qatar Riyal	QAR	
Saudi Arabian Riyal	SAR	
Scotland Pound	SCP	
Swedish Kroner	SEK	
Singapore Dollar	SGD	
Thailand Baht	THB	
US Dollar	USD	
South African Rand	ZAR	
If there is any type of currency other than mentioned above, you may extend the rows.		

I have examined the relevant documents and confirm that the above mentioned information is true and correct.

Signature & Seal of the Restricted Dealer

Signature & Seal of the Bank

Date

Date



**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2206/25 - FRIDAY, DECEMBER 18, 2020

(Published by Authority)

**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017**

Order under Section 22

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Mahinda Rajapaksa, Minister of Finance do by this Order, extend the period of validity of the Order under Section 22 of the Act published in the *Extraordinary Gazette Notification* No. 2182/37 dated 02nd July, 2020, for further six months from 02nd January, 2021.

**MAHINDA RAJAPAKSA,
Minister of Finance**

Ministry of Finance,
Colombo 01,
December 17, 2020

Guidelines 01/2020

5th February 2020

Ref: 037/04/002/0004/019

To: Chief Executive Officers of Licensed Finance Companies (LFCs),
Insurance Companies (ICs) and Stock Broker Companies (SBs)

Dear Sir/Madam,

SCENARIO BASED LANKAFIN REPORTING GUIDELINE FOR LFCs, ICs AND SBs

1. We wish to draw your attention to the reporting of Cash Transactions Reports (CTRs) and Electronic Fund Transfer Reports (EFTs) in terms of the provisions of Section 6 of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA) and Financial Transactions Reporting Regulations, No. 1 of 2008 published in the Gazette Extraordinary, No. 1555/9 of 25th June 2008.
2. The FIU has developed scenario-based guidelines for LFCs, ICs and SBs to report transaction details related to collection accounts maintained at other Financial Institutions (mainly Banks). All LFCs, ICs and SBs are hereby required to submit CTRs and EFTs to the FIU as per the guideline given in annex I to V, **with effect from 15th February 2020.**

Yours sincerely

Director,
Financial Intelligence Unit.

Cc: Compliance Officers

Annex. I**Scenario based LankaFIN Reporting Guideline for LFCs, ICs and SBs**

1. Any Financial Institution (FI) which maintains collection account(s) in other Financial Institutions (mainly Banks) for the purpose of accepting deposits, allows for withdrawals and payments from/to its customers, is required to report transactions of such collection accounts to the Financial Intelligence Unit (FIU).
2. Any cash deposit from a customer to a collection account should be considered as a cash deposit received by the reporting FI. Such cash transactions that exceeds Rupees One Million (Rs. 1,000,000) or its equivalent in any foreign currency should be reported to the FIU by way of a Cash Transactions Report (CTR) by treating such transaction as a cash deposit made to the account of the customer maintained at the reporting FI.
3. Any cash withdrawal or payment made from a collection account (in the form of cash or cash cheque) should be considered as a cash withdrawal or payment by the customer from the account of the customer maintained at the reporting FI. Such cash transactions that exceed Rupees One Million (Rs. 1,000,000) or its equivalent in any foreign currency should be reported to the FIU in the CTR by treating it as a cash withdrawal or payment from the account of the customer maintained at the reporting FI.
4. Any Electronic Fund Transfer (EFT) or cheque deposit made by a customer to a collection account should be considered as an incoming EFT received by the reporting FI. Such EFTs exceeding Rupees One Million (Rs. 1,000,000) or its equivalent in any foreign currency should be reported to the FIU in the EFT Incoming Report by treating it as an incoming EFT to the account of the customer maintained at the reporting FI from the collection account.
5. Any EFT payment made from a collection account to another account of a customer should be considered as an outgoing EFT sent by the reporting FI. Such EFTs exceeding Rupees One Million (Rs. 1,000,000) or its equivalent in any foreign currency should be reported to the FIU in the EFT Outgoing Report by treating it as an outgoing EFT to the collection account from the customer's account maintained at the reporting FI.

Annex. II

Sample Scenarios

The Financial Institution “Ceylon Finance” (Institution Code: 777) maintains a collection account “1234” at Financial Institution “Trust Bank” (BIC: 2525) for the purpose of accepting deposits and allowing withdrawals related to the customers of Ceylon Finance.

Mr. Nimal Perera (NIC: 651591632V), a customer of Ceylon Finance of No. 12, Temple Street, Homagama, performs the following transactions.

- **Scenario 1 – Deposit (Cash)**

Mr. Nimal Perera deposits Rs.10,000,000 cash to the collection account 1234 at the Trust Bank to open a fixed deposit 6789 in Ceylon Finance on 8th January 2020. This account is maintained at Colombo Branch of Ceylon Finance (Branch Code: 001)

- **Scenario 2 – Deposit (Cheque)**

Mr. Nimal Perera opens a fixed deposit 4040 in Ceylon Finance on 10th January 2020 by way of cheque deposit of Rs. 7,500,000 to the collection account 1234 at the Trust bank.

- **Scenario 3 – Deposit (EFTs)**

Mr. Nimal Perera sends Rs.5,000,000 by way of electronic fund transfer to the account 1234 at the Trust Bank to open a fixed deposit in Ceylon Finance (Acc Number: 5050) on 12th January 2020.

- **Scenario 4 – Withdrawal (Cash / Cash Cheque)**

Ceylon Finance Issues a cash cheque to Mr. Nimal Perera for Rs. 11,500,000 to be presented at the Trust Bank at the maturity of the fixed deposit 6789. Mr. Nimal encashed the cheque on 15th January 2020.

- **Scenario 5 – Withdrawal (Account Payee Cheque)**

Ceylon Finance Issues an account payee cheque to Mr. Nimal Perera for Rs. 11,500,000 to be presented at the Trust Bank at the maturity of the fixed deposit 6789. Mr. Nimal deposited the cheque to the bank and the value date is 17th January 2020.

- **Scenario 6 – Withdrawal (EFTs)**

Mr. Nimal Perera requests the Ceylon Finance to transfer the interest Rs.1,500,000 of his fixed deposit 5050 to his account number “9999” at “Lanka Bank” at the maturity (20th January 2020) of the fixed deposit 5050.

Annex. III

Reporting Formats of Sample Scenarios

Scenarios 1 and 4 should be reported by the Ceylon Finance in the Cash Transactions Report (CTR) as follows;

Field Name	Mandatory	Scenario 1	Scenario 4	Comment
BankCode	YES	777	777	1-4-digit Number describing institution code
BranchCode	YES	001	001	1-4-digit Number describing Branch code
BranchName	YES	COLOMBO	COLOMBO	Text string describing Branch Name
AccNumber	YES	6789	6789	Text string describing Account number
ValueDate	YES	20200108	20200115	Number in YYYYMMDD format
Curcode	Yes	LRK	LKR	Currency Code

Amount	YES	10000000	11500000	Number describing Amount
CrDr	Yes	cR	DR	Deposit- CR, Withdrawal- DR
Acc Type	YES	FIXED DEPOSIT	FIXED DEPOSIT	Text string describing Account type
TxnNature	YES	CASH DEPOSIT	CASH CHEQUE WITHDRAWAL	Nature of Transaction
CusFirst Name	NO	NIMAL	NIMAL	Customers first name for natural persons
CusLastName	YES	PERERA	PERERA	Last Name of natural persons and Name of Institutions, Corporate Entities, Charities, Clubs etc.
AddressLine1	YES	NO. 12,	NO. 12,	First Line of the Address.
AddressLine2	YES	TEMPLE STREET,	TEMPLE STREET,	Second Line of the Address.
AddressLine3	YES	HOMAGAMA.	HOMAGAMA	Third Line of the Address.
IDNumber	YES	651591632V	651591632V	NIC, Passport or Bus. Reg. Number
Tel	NO	0771591591	0771591591	Telephone, Provide if available
Fax	NO			Fax, Provide if available
EMail	NO	NIMAL@ABC.LK	NIMAL@ABC.LK	Email, Provide if available
RiskRating	NO	1	1	1-Low Risk, 2- Medium Risk, 3 High Risk
BusinessType	YES	SCHOOL TEACHER	SCHOOL TEACHER	Nature of Business/Profession /Vocation
CusType	YES	NP	NP	GA- Government Account, NP - Natural Person, IN-Institutions, CO –Corporate Entities, RB – Retirement Benefit Programs, NG – Charities, Clubs (NGOs), TR – Trusts Nominee
AccStatus	YES	ACTIVE	CLOSED	Account Status
Nationality	YES	SRI LANKAN	SRI LANKAN	Text string describing Nationality
TranReference	YES	7772020010801	7772020011501	A unique identification code to identify the transaction.

Annex. IV

Scenarios 2 and 3 should be reported by the Ceylon Finance in the Incoming EFT Report (**EFTIN**) as follows;

Field Name	Mandatory	Scenario 2	Scenario 3	Comment
BankCode	YES	777	777	1-4-digit Number describing institution Code
Value Date	YES	20200110	20200112	Number in YYYYMMDD format
ValueFCY	YES	0	0	Foreign Currency Amount
Curcode	YES	LKR	LKR	Currency Code
ValueRs	YES	7500000	5000000	LKR Amount
TxnDetails	YES	CHEQUE DEPOSIT TO OPEN FD	FUND TRANSFER TO OPEN FD	Transaction Details
SenderName	NO	CEYLON FINANCE	CEYLON FINANCE	Account holder name of "1234"
SenderAddress	NO	NO.20, YORK STREET, COLOMBO 01	NO.20, YORK STREET, COLOMBO 01	Account holder Address
SenderBusiness	NO	LICENSED FINANCE COMPANY	LICENSED FINANCE COMPANY	Text describing Sender's business

SenderBankBIC	YES	2525	2525	Text describing Sender Bank BIC
SenderBankName	NO	TRUST BANK	TRUST BANK	Text describing Sender bank Name
SenderBankAddress	NO	30, NEXT PL, COLOMBO 1	30, NEXT PL, COLOMBO 1	Text describing Sender Bank Address
ReceiverBank	YES	CEYLON FINANCE	CEYLON FINANCE	Text describing Receiver Bank Name
ReceiverAccNo	YES	4040	5050	Text describing Receiver Account Number
ReceiverName	YES	MR NIMAL PERERA	MR NIMAL PERERA	Text describing Receiver Name
ReceiverID	YES	651591632V	651591632V	NIC, PPT or Bus. Reg. Number
ReceiverAddress1	YES	NO. 12,	NO. 12,	Address Line 1
ReceiverAddress2	YES	TEMPLE STREET,	TEMPLE STREET,	Address Line 2
ReceiverAddress3	NO	HOMAGAMA.	HOMAGAMA.	Address Line 3
ReceiverBusiness	YES	SCHOOL TEACHER	SCHOOL TEACHER	Text describing Nature of Business/Profession / Vocation
TranReference	YES	7772020011001	7772020011205	A unique identification code to identify the transaction.

Annex. V

Scenario 5 and 6 should be reported by the Ceylon Finance in the Outgoing EFT Report (**EFTOUT**) as follows;

Field Name	Mandatory	Scenario 5	Scenario 6	Comment
BankCode	YES	777	777	1-4-digit Number describing institution code
ValueDate	YES	20200117	20200120	Number in YYYYMMDD format
ValueFCY	YES	0	0	Foreign Currency Amount
Curcode	YES	LKR	LKR	Currency Code
ValueRs	YES	11500000	1500000	LKR Amount
TxnDetails	YES	CHEQUE WITHDRAWAL AT THE MATURITY	FUND TRANSFER AT THE MATURITY	Transaction Details
SenderName	YES	MR NIMAL PERERA	MR NIMAL PERERA	Account holder name
SenderAccNo	YES	6789	5050	Sender Account Number
SenderID	YES	651591632V	651591632V	NIC or Bus. Reg. No
SenderAddress1	YES	NO. 12,	NO. 12,	Address Line 1
SenderAddress2	YES	TEMPLE STREET,	TEMPLE STREET,	Address Line 2
SenderAddress3	NO	HOMAGAMA.	HOMAGAMA.	Address Line 3
SenderBusiness	YES	SCHOOL TEACHER	SCHOOL TEACHER	Text describing Nature of Business/Profession / Vocation
ReceiverAccNo	NO	1234	1234	Receiver Account Number
ReceiverName	YES	CEYLON FINANCE	CEYLON FINANCE	Account holder name of 1234
ReceiverAddress	NO	NO.20, YORK STREET, COLOMBO 01	NO.20, YORK STREET, COLOMBO 01	Account holder Address
ReceiverBankName	YES	TRUST BANK	TRUST BANK	Receiver bank Name
ReceiverBankBIC	YES	2525	2525	Receiver Bank BIC
TranReference	YES	7772020011705	7772020012003	A unique identification code to identify the transaction.

Circular – 01/2020

March 31, 2020

Ref: 37/04/002/0004/019

To: CEOs/ MD/GM of Reporting Institutions,

EXTRAORDINARY MEASURE OF EXTENDING THE DEADLINE FOR SUBMISSION OF THRESHOLD REPORTS

Dear Sir/Madam,

In view of several requests made by Reporting Institutions (RIs) and taking into consideration the current situation faced, the FIU-Sri Lanka has decided to extend all existing deadlines for the submission of threshold reports of transactions (CTR/EFT-In/EFT-Out) until April 30, 2020, as an extraordinary measure.

Accordingly, the Reporting Institutions (RIs) can submit the threshold reports for following reporting periods until April 30, 2020:

Fortnightly reporting

- **February 2020 - 2nd half**
- **March 2020 - 1st half and 2nd half**

Monthly reporting

- **February 2020**
- **March 2020**

It should be further noted that the threshold reports for April 1st half should be submitted on or before April 30, 2020 as per the existing requirement.

Notwithstanding the stipulated deadline above, the RIs are encouraged to submit the threshold reports to the LankaFIN system **as and when the reports are prepared**, during this extended period.

Yours faithfully
Assistant Governor
Head/Financial Intelligence Unit

Cc: Compliance Officers of all Reporting Institution

Circular – 02/2020

Ref: 37/04/002/0004/019

April 28, 2020

To: CEOs/ MD/GM of Reporting Institutions,

EXTRAORDINARY MEASURE OF EXTENDING THE DEADLINE FOR SUBMISSION OF THRESHOLD REPORTS – SECOND EXTENSION

Dear Sir/Madam,

With reference to the letter sent to you on March 31, 2020 regarding above.

In view of the extension of curfew in the country due to prevailing Covid-19 outbreak, the FIU-Sri Lanka has decided to further extend all existing deadlines for the submission of threshold report of transactions (CTR/EFT-In/EFT-Out) until May 31, 2020, as an extraordinary measure.

Accordingly, the Reporting Institutions (RIs) can submit the threshold reports for following reporting periods until May 31, 2020:

Fortnightly reporting

- **February 2020 - 2nd half**
- **March 2020 - 1st half and 2nd half**
- **April 2020 – 1st half and 2nd half**
- **May 2020 – 1st half**

Monthly reporting

- February 2020
- March 2020
- April 2020

Notwithstanding the stipulated deadline above, the RIs are encouraged to submit the threshold reports to the LankaFIN system as and when the reports are prepared, during this extended period.

Yours faithfully,

Director
Financial Intelligence Unit

Cc: Compliance Officers of all Reporting Institution

Guidelines-02/2020

Ref: 037/08/001/0027/018

June 10, 2020

To: Chief Executive Officer/ General Manager/ Proprietor

Dear Sir/Madam,

Guidelines on Anti-Money Laundering and Countering the Financing of Terrorism Compliance Obligations for Accountants and Trusts or Company Service Providers, No. 02 of 2020

The above mentioned guidelines will come into force with immediate effect and shall be read together with the Financial Transactions Reporting Act, No. 6 of 2006 and the Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018.

Yours faithfully,

Director
Financial Intelligence Unit

Cc: Compliance Officers

GUIDELINES ON ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM COMPLIANCE OBLIGATIONS FOR ACCOUNTANTS AND TRUSTS OR COMPANY SERVICE PROVIDERS, NO. 02 OF 2020

PART I

Introduction

1. These Guidelines are issued pursuant to Section 15 (1) (j) of the Financial Transactions Reporting Act, No. 6 of 2006 (FTRA). These Guidelines should be read together with the Designated Non-Finance Business (Customer Due Diligence) Rules, No. 1 of 2018 (hereinafter referred to as "CDD Rules") by Gazette Extraordinary No. 2053/20, dated January 10, 2018.
2. These Guidelines are provided as an aid to interpret the CDD Rules and shall act as a guidance for the following categories of designated non-finance businesses as defined under the Section 33 of the FTRA (hereinafter referred to as "Service Provider(s)").
 - i. 'Accountants who provide accountancy services when such Accountants as part of their professional services, prepare for or carry out transactions for their clients in relation to any of the following activities:
 - a) Buying and selling of real estate;
 - b) Managing of client money, securities or other assets;
 - c) Management of bank, savings or securities accounts;
 - d) Organization of contributions for the creation, operation or management of companies; and
 - e) Creation, operation or management of legal persons or arrangements and the buying and selling of business entities.¹

¹ As defined in Subsection (j) of Designated Non-Finance Business in Section 33 of the FTRA.

- ii. 'Trusts or Company Service Providers (TCSPs) not otherwise covered by this definition, which as a business provides one or more of the following services to third parties: ²
 - a) Formation or management of legal persons;
 - b) Acting as or arranging for another person to act as a director or secretary of a company, a partner or a partnership or a similar position in relation to other legal persons;
 - c) Providing a registered office, business address or accommodation, correspondence or administrative address for a company, a partnership or for any other legal person or arrangement;
 - d) Acting as or arranging for another person to act as, a trustee of an express trust;
 - e) Acting as or arranging for another person to act as, a nominee shareholder for another person.

Activities mentioned in 2(i) and 2(ii) above are hereinafter referred to as "Captured Activities".

3. These Guidelines are issued for the purpose of assisting the Service Providers in identifying, assessing and managing Money Laundering (ML) and Terrorist Financing (TF) risks, when carrying out Captured Activities.
4. These Guidelines are not intended to be exhaustive and can be considered only as indicative guidance when developing policies, procedures and controls to achieve compliance with FTRA and other rules and regulations issued thereunder. Nothing in these Guidelines are to be considered as legal advice from the Financial Intelligence Unit.
5. For the purpose of these Guidelines, unless the context otherwise requires:
 - **AML/CFT** means Anti-Money Laundering and/or the Countering the Financing of Terrorism as recommended by the Financial Action Task Force (FATF);
 - **Beneficial Owner** means a natural person who ultimately owns or controls a customer or the person on whose behalf a transaction is being conducted and includes the person who exercises ultimate effective control over a person or a legal arrangement.
 - **CDD** means Customer Due Diligence;
 - **Client** means "Customer" as defined in Section 33 of the FTRA;
 - **FATF** means the Financial Action Task force, the intergovernmental body that sets international standards that aim to prevent Money Laundering and Financing of Terrorism and the harm these cause to the society.
 - **FIU** means the Financial Intelligence Unit of the Central Bank of Sri Lanka which is designated under the Financial Transactions Reporting Act, No. 6 of 2006, and charged with the implementation and administration of the provisions of the FTRA;
 - **ML** means the offence of money laundering, as defined in and punishable under Section 3 of the Prevention of Money Laundering Act, No. 5 of 2006;
 - **TF** means the offence of terrorist financing, in terms of Section 3 of the Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005;
 - **ML/TF** means Money Laundering/Terrorist Financing;
 - **NGOs/NPOs** means Non-Governmental Organizations / Not-for-Profit Organizations;
 - **PEP** means Politically Exposed Person, an individual who is entrusted with prominent public functions either domestically or by a foreign country, or in an international organization and includes a head of a State or a Government, a politician, a senior government officer, judicial officer or military officer, a senior executive of a state-owned corporation, government or autonomous body but does not include middle rank or junior rank individuals;
 - **STRs** means Suspicious Transaction Reports filed in terms of Section 7 of the FTRA;
 - **UNSCR** means the United Nations Security Council Resolution.

Vulnerabilities of Accounting Services

6. Some of the services provided by the accountants are more susceptible to money laundering and terrorist financing risks. Therefore, they can be exploited by potential money launderers and terrorist financiers. Accountants are used as gatekeepers in utilizing their expertise to conceal the proceeds of crime. Some such services include:
 - a) Buying or selling of property – criminals may use property transfers to serve either as a cover for transfers of illegal funds or as a final investment of illicit proceeds, while the transaction may be wholly or part of the laundering process.

² As defined in Subsection (k) of Designated Non-Finance Business in Section 33 of the FTRA.

- b) Performing financial transactions – criminals or would be offenders may use accountants to carry out or facilitate various financial operations on their behalf (e.g. cash deposits or withdrawals on accounts, retail foreign exchange operations, issuing and cashing cheques, purchase and sale of stock, sending and receiving international funds transfers, etc.).
 - c) Gaining introductions to financial institutions- criminals may use accountants as introducers or intermediaries. This can occur both ways as criminals may use financial institutions to gain introductions to accountants as well.
 - d) Company and Trust formation – criminals may attempt to confuse or disguise the links between the proceeds of a crime and the perpetrator through the formation of corporate vehicles or other complex legal arrangements.
7. The professional knowledge, skills and abilities of Accountants are vulnerable to be misused by criminals when conducting ML/TF activities. If, Service Providers are involved knowingly or unknowingly in the case of their clients engaged in ML/TF activities they will have to suffer various disadvantages including loss of reputation and possible legal actions.
 8. Criminals or would be offenders may abuse the services provided by accountants to attribute a sense of legitimacy to falsified accounts in order to conceal the source of funds. For example, accountants may review and sign off such accounts for businesses engaged in criminality, thereby facilitating the laundering of the proceeds. Insolvency practice, which may be conducted by certain accountancy professionals also pose a risk of criminals concealing the audit trail of money laundered through a company and transferring the proceeds of crimes.

Vulnerabilities of Trusts or Company Service Providers

9. Trusts or Company Service Providers (TCSPs) provide services relating to the formation and management of companies and trusts which are considered as vulnerable for ML/TF activities.
10. Criminals and would be offenders often use companies, trusts and other similar legal arrangements to hide the origin and ownership of the criminally earned assets/finance terrorist activities.
11. Further, money launderers and terrorist financiers form shell companies which do not have independent operations, significant assets, ongoing business activities, or employees to conceal beneficial ownership, conduct transactions, or bring about a perception of legitimacy.
12. Criminals and would be offenders use address of TCSPs instead of using their physical location which allow them to keep anonymity and distance from the transactions and activities they are undertaking. Further it adds perception of legitimacy to their activities.
13. Criminals and would be offenders obtain the services of TCSPs for the management positions of the companies or trusts in order to provide greater respectability and legitimacy to the company or trust and its activities, to launder money and to finance terrorist activities.
14. Criminals and would be offenders use TCSPs as nominee shareholders or nominee directors or trustees of the companies or trusts or other legal arrangements to obscure their ownership of assets. This may provide a false impression of legitimacy for the activities undertaken by the company or legal arrangement enabling the criminals to use their companies or other legal arrangements for laundering money, financing of terrorism or other crimes without being detected.

Part II

Risk-Based Approach

15. Every Service Provider is required under the CDD Rules to identify and assess their exposure to ML/TF risk and develop suitable policies, procedures and controls to effectively manage and mitigate such risk. It is also expected to monitor the ongoing effectiveness of those policies, procedures and controls. The Risk Based Approach enables the service providers to allocate more resources to areas where the risks are higher.
16. Each Service Provider is expected to use their own judgment, knowledge and expertise to develop an appropriate risk-based approach for their particular organizational structure and business activities based on the nature and size of the Service Provider. Risk assessment is the key starting point of the risk based approach and it is required to commensurate with the nature, size and complexity of the business. Some of the factors that can be considered when developing a risk-based approach are as follows.
 - Risks related to the size, geographical location and organizational complexity of the Service Provider.
 - Risks related to the specific services offered by the Service Provider
 - Risk related to the specific types of the clients
 - Risk related to the delivery channels

These factors can be considered either independent of one another or in combination in order to determine ML/TF risk. For example, a Service Provider that incorporates one or more Captured Activities as formation of companies, managing clients' money, having clients with complex beneficial ownership structures or known political exposure or in high risk and other monitored jurisdictions³ and/or functioning in a high risk business sector could be more vulnerable to ML/TF than a firm that is exposed to only one of these risk categories.

17. In the context of ML/TF, the Risk-Based Approach encompasses the following steps:

- A. Identify the ML/TF risks;
- B. Assess the ML/TF risks;
- C. Design and implement controls to manage and mitigate the ML/TF risks;
- D. Monitor and improve the effective operations of the Risk-Based controls.

(A) Identify the ML/TF Risk

18. As the first step of the Risk-Based Approach, the Service Provider should identify their direct and indirect ML/TF risk factors associated with clients, geographical locations, services and delivery channels.

19. When identifying the risks associated with above mentioned aspects, the Service Provider should consider and document the risk related to:

- Clients including their beneficial owners
 - Business or professional activities of clients/ beneficial owners.
 - Reputation of clients/ beneficial owners.
 - Nature and the behavior of clients/ beneficial owners.
- Geographical locations
 - The geographical origin and location of the client/beneficial owner.
 - Places of business of the customer/beneficial owner.
 - The geographical locations where the customer/beneficial owner have relevant personal links.
- Services
 - Types of services offered by the Service Providers.
 - Complexity of transaction.
 - Value or size of the transaction.
- Delivery channels
 - The extent to which the business relationship is conducted on non-face to face basis.
 - Any introducers or intermediaries used in the transaction process and nature of their relationship.

20. Examples for ML/TF risks associated with the Captured Activities and sample checklist for ML/TF risk identification and assessment is given respectively in **Annexure I and II** as a guidance. Service Provider is encouraged to develop a checklist of their own based on their own ML/TF risk identification and assessment, and to this end the **Annexure II** would provide some guidance.

(B) Assess the ML/TF Risks

21. The ML/TF Risk Assessment is required to be carried out once the Service Provider's ML/TF risk factors are identified.

The ML/TF Risk Assessment is an analysis of potential threats and vulnerabilities of ML/TF to which the Service Provider is exposed. The complexity of the ML/TF Risk Assessment depends on, among the other factors, the nature, size and ML/TF risks faced by the Service Provider.

22. ML/TF Risk Assessment is carried out irrespective of any existing Policies, procedures and controls on customer identification, record keeping and reporting requirements.

(C) Design and Implement Controls to Manage and Mitigate the ML/TF Risks

23. Risk mitigation is about implementing controls to address risk drivers or the sources of the risk (i.e. threats, vulnerabilities) in a timely manner, which is tolerable to the Service Provider. Controls should be in the form of written policies and procedures.

³ The FATF identifies jurisdictions with weak measures to combat money laundering and terrorist financing (AML/CFT) in two FATF public documents. For more information and to obtain the latest updated list of high risk and other monitored jurisdictions please refer the FATF website: [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/?hf=10&b=0&s=desc(fatf_releasedate)).

24. The Service Provider is required to ensure the continuation of the AML/CFT Compliance Policy, procedures and controls without any disruptions due to changes in management, employees or the structure of the business.

(D) Monitor and Improve the Effective Operations of the Risk Based Controls

25. The effective management of ML/TF risk is a continuous and dynamic process. The Service Provider should ensure that the management of ML/TF risks is subject to regular reviews of effectiveness and is updated as new or emerging risks are identified, caused by changes in the scale or nature of operations, new types of services, new customer types, etc.
26. The checklist developed for the purpose of assessing the risk of the Service Provider can be maintained as an ongoing tool to duly update the new and emerging risks as and when necessary.

Part III

Compliance

Compliance Officer

27. Every Service Provider is required to appoint a Compliance Officer, who works at the senior management level, to ensure compliance of the Service Provider with the provisions of the FTRA and other Rules and Regulations issued thereunder. The Compliance Officer is responsible for the establishment and maintenance of the procedures and systems to comply with the AML/CFT requirements. The Compliance Officer requires the authority and the resources necessary to discharge his or her responsibilities effectively. The Compliance Officer requires to monitor AML/CFT measures of the Service Provider in order to ensure that they are effectively implemented and up to date.
28. According to the management structure of the Service Provider, the Compliance Officer should be in a position to have direct access to higher management or the Board of Directors. Therefore, the Compliance Officer position should be of the senior management level.
29. The Service Provider has a duty to declare the initial appointment of the Compliance Officer and any subsequent change as well, to the Director of the FIU through the 'Compliance Officer Declaration Form' (Annexure III), via email to fiudnfbp@cbsl.lk followed with the hard copy by post to the address: Director, Financial Intelligence Unit, Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 01.
30. The appointment should be formally made and responsibility should be incorporated to the Compliance Officer's Job Description.

Part IV

AML/CFT Compliance Policy, Procedures and Controls

31. Each Service Provider is required to establish a written AML/CFT Compliance Policy according to the ML/TF Risk assessment. The AML/CFT Compliance Policy is expected to be fully and effectively implemented by the Service Provider using procedures and controls that are communicated timely, understood and followed by the staff of the Service Provider.
32. The extent and the level of detail of each Service Provider's AML/CFT Compliance Policy, procedures and controls would depend on the specific circumstances of the Service Provider, as well as the results of the risk assessment.
33. The Service Provider's AML/CFT Compliance Policy, procedures and controls are required to be approved by the senior management or senior partners. The AML/CFT Compliance Policy, procedures and controls are required to include, at a minimum;
- client identification and verification,
 - conducting other aspects of CDD (including identifying and verifying beneficial owners and/or any person acting on behalf of the client),
 - record keeping,
 - submission of mandatory reports to the FIU,
 - ensuring independent audits on the conduct of Service Provider's AML/CFT compliance measures,
 - screening clients against the UNSCR designated lists on Terrorism, Terrorism Financing and Proliferation of Weapons of Mass Destruction,
 - screening employees before hiring and employee training on ML/TF.

34. Senior partners/senior management are required to understand statutory duties related to AML/CFT compliance vested upon the board of directors, the staff and the entity itself. Senior partners/senior management are ultimately responsible for making decisions related to AML/CFT Compliance Policy, procedures and controls that mitigate and manage the risks of ML/TF within the entity.
35. The AML/CFT Compliance Policy, procedures and controls described are required to be reviewed and updated as an ongoing process to ensure that they commensurate with evolving and emerging risks.
36. When the Service Provider maintains any local or overseas branches/offices/subsidiaries, it is required to establish a 'Group AML/CFT Compliance Policy' to ensure that all branches /offices/subsidiaries implement the same AML/CFT measures, consistent with local laws and regulations.
37. If the overseas laws and/or regulations applicable for an overseas branch/office/subsidiary contradict or otherwise limit the application of Sri Lankan laws and/or rules, the Service Provider is required to act as specified in the CDD Rules.

PART V

Customer Due Diligence

Identification and Verification of Client, Beneficial Owners and Persons Acting on behalf of a Client

38. Service Providers, when carrying out the Captured Activities, are required to conduct CDD on their clients including occasional and one-off clients as specified in the CDD Rules.
39. The Service Provider is required to determine whether the client is acting on behalf of a third party, where the client is an agent of the third party who is the beneficial owner of the client and/or who is providing the funds for the transaction. Accordingly, the Service Provider is required to conduct CDD on the beneficial owners also in relation to a Captured Activity.
40. The Service Provider is required to obtain minimum information on the identity of the client, beneficial owner and the person acting on behalf of the client as specified in the CDD Rules and verify such identity through independent, reliable source document.
41. Service Providers are required to conduct CDD before or at the time of starting a business relationship with a client. Generally, business relationship with a client begins after initial inquiries have been made by the prospective client but before any work is commenced.
42. The Service Provider is required to obtain information on the identity of any third party and their relationship with the client or ultimate beneficial owner for CDD purposes. The Service Provider shall also obtain documentary evidence to the effect that the respective third party has authorization to act on behalf of the client.
43. If a client does not submit satisfactory evidence of his/her identity to the Service Provider as required by the FTRA and the CDD Rules, the Service Provider is not in a position to proceed any further with the transaction unless directed to do so by the FIU, and shall report the attempted transaction to the FIU as a suspicious transaction. Further, if the client is reluctant to divulge CDD information, then also the Service Provider is required to submit an STR to the FIU.
44. If the Service Provider reasonably believes conducting of CDD measures would tip off the customer, the Service Provider may proceed with the transaction without conducting the CDD measures. However, the Service Provider is required to file an STR immediately.
45. Based on unique factors and attributes that are inherent to each business relationship, characteristics of the client, nature of the captured activity and the transactions to be conducted and potential exposures to ML/TF risks, the Service Provider has to determine whether Enhanced CDD is to be conducted.
46. Clients, beneficial owners and persons acting on behalf of clients that are identified as high risk are required to be subject to Enhanced CDD measures. Accordingly, at the situations where a client/beneficial owner/ third party acting on behalf of the client is identified as of high risk with respect to ML/TF, the Service Provider should apply Enhanced CDD measures as specified in the CDD Rules.
47. Moreover, Service Providers are required to conduct ongoing CDD on existing clients by regularly reviewing information and analyzing any new transactions.

Client Risk Profiling

48. After conducting CDD, Service Provider is required to profile and categorize all clients/beneficial owners/third parties acting on behalf according to their correspondent level of ML/TF risk.

49. Where the Service Provider's dealings with a client is limited to a single transaction (one-off transaction), it is not considered to be an ongoing business relationship. However, the Service Provider is required to complete a risk assessment of such client. If the Service Provider suspects that the transaction is related to an offence, then such transactions have to be reported to the FIU as an STR. Please refer Part VI for further information.

Enhanced CDD Measures

50. There are clients/ types of transactions / services which may pose higher ML/TF risk to Service Providers. In such a situation, the Service Provider is required to take additional CDD measures.

Examples for instances where Enhanced CDD measures are required to be conducted for a client/beneficial owner/third party;

- a) Who has links with countries which do not or which insufficiently comply with the recommendations of the FATF {for High Risk and Non-Cooperative Jurisdictions please refer the FATF website (<http://fatf-gafi.org>), Web site of Asia Pacific Group on Money Laundering (<http://apgml.org>), FIU website (<http://fiusrilanka.gov.lk>)};
- b) Linked with a country that has been identified by a national authority as a jurisdiction of concern for drug trafficking, human trafficking, money laundering, terrorism or illicit financing;
- c) Linked with any country that has been identified by a reputable organization as having high levels of public corruption;
- d) Who conducts a complex or unusual transaction, (whether completed or not), unusual patterns of transactions for the client profile, transactions that match patterns associated with unlawful activity, and transactions which have no apparent lawful purpose;
- e) Who is domestic or foreign PEP including their family members and close associates.

Further, Enhanced CDD measures are also required to be conducted in the following instances;

- a) Any client or transaction that the Service Provider has identified as posing a higher risk to the Service Provider, when it conducts the Client Risk Profiling;
- b) Transactions where the natural person is not physically present in conducting the Captured Activity;
- c) Transactions conducted with NGOs/NPOs.

Compliance with United Nations Security Council Resolutions

51. The Service Provider is required to cross-check whether any client/beneficial owner/third party acts upon the client appears on any designated list issued in compliance with the United Nations Act, No. 45 of 1968, with respect to following regulations issued on targeted financial sanctions related to terrorism, terrorist financing and proliferation of weapons of mass destruction and its financing.

- a) The United Nations Regulations No. 01 of 2012 : issued by the Minister of Foreign Affairs promulgating the United Nations Security Council Resolution 1373 (2001) designating individuals and entities related to terrorism and terrorist financing in national level.
- b) The United Nations Regulations No. 02 of 2012: issued by the Minister of Foreign Affairs promulgating the United Nations Security Council Resolution 1267(1999) and the modifications and strengthening of the Resolution's sanctions regime by subsequent resolutions, and any other subsequent resolution on Taliban (Islamic Emirate of Afghanistan), Islamic State of Iraq and Levant (ISIL, also known as Da'esh) and Al-Qaida, imposing upon member States of the United Nations a series of obligations to apply sanction measures to any natural or legal person, group or entity associated with Taliban, ISIL (Da'esh) or Al-Qaida.
- c) United Nations (Sanctions in relation to Democratic People's Republic of Korea) Regulations of 2017: issued by the Minister of Foreign Affairs promulgating the United Nations Security Council Resolution 1718 (2006), 1874 (2009), 2087 (2013), 2094 (2013), 2270 (2016), 2321 (2016) and successive Resolutions imposing certain measures on DPRK.
- d) United Nations (Sanctions in relation to Iran) Regulations No. 1 of 2018: issued by the Minister of Foreign Affairs giving effect to the United Nations Security Council Resolutions 1737 (2006) and 2231 (2015) and any subsequent resolutions related to Iran and all resolutions that repeal, replace or amend earlier resolutions related to Iran.

52. The designated lists issued by the Ministry of Defense of Sri Lanka under the above regulations can be referred via <http://fiusrilanka.gov.lk/unsr.html>.

53. The Service Provider is required to ensure that no funds, financial assets or economic resources are made available to or for the benefit of such designated persons or entities or their beneficiaries.

54. The contact details of Competent Authority is as follows,

Office of the Competent Authority,
Ministry of Defence
No.15/5, Baladaksha Mawatha
Colombo, Sri Lanka.
Tel. +94 112320585
Fax +94 112390288
email: camod@defence.lk

PART VI

Reporting

Duty of Submitting Suspicious Transactions Reports

55. In making the decision to submit an STR, the Service Provider may take into account, the client profile and any information of the client's business/employment activities. The list of red flag indicators as mentioned in **Annexure IV** will provide some additional guidance as to what constitute a suspicious activity. Industry-specific indicators would also help the Service Provider to better identify suspicious transactions whether completed or attempted. Some examples of ML using Service Providers are given in **Annexure V**.
56. Each Service Provider is required to pay attention to attempted suspicious transactions. If a client attempts to conduct a transaction, but for whatever reason that transaction is not completed, and if the Service Provider determines that the attempted transaction is suspicious, the Service Provider is required to report it to the FIU.
57. The Service Provider is required to submit STRs using the format as prescribed in Suspicious Transactions (Format) Regulations of 2017, Gazette (Extraordinary) No: 2015/56 dated April 21, 2017 (**Schedule V-Annexure VI**).
58. The Compliance Officer is required to maintain a register of STRs including dates, serial numbers, name of the employee who reported STR, etc.

PART VII

Record Keeping

59. The Service Provider is required to take appropriate steps to put in place and maintain a system for record keeping as stipulated in the FTRA, which allows data to be retrieved immediately whenever required, or when requested by the FIU. Records maintained should carry CDD information, copies of identification documents, transaction records, correspondence relating to transactions and any other report furnished to the FIU.

PART VIII

Other AML/CFT Requirements

60. Service Providers is required to have a screening policy when hiring employees to ensure high standards and to ensure that the employees are not involved in any ML/TF activity.
61. Service Providers are required to provide training on AML/CFT compliance to senior partners/senior management, employees, agents or any other individuals authorized to act on behalf of the Service Provider.
62. Such training is required to raise awareness of the AML/CFT Compliance Policy on the entity, internal procedures and controls for preventing ML/TF. Training programs are required to provide a clear understanding of the related individual's responsibilities so that they can foster a sub culture where all the employees of the Service Provider work towards adopting and implementing AML/CFT measures.
63. Service Provider is required to ensure that policies, procedures and controls are in accordance with the prevailing AML/CFT laws of the country.
64. Service Providers is required to be aware that an auditor has an obligation under the FTRA to submit an STR if the auditor suspects any transaction or series of transactions is related with ML/TF, during the course of performing the audit.

PART IX

Penalties for Non-Compliance

65. Failure to comply with the FTRA and any rules or regulations issued thereunder shall lead to penalties. In addition, there may be other actions including regulatory and disciplinary measures moved against the Service Provider via the respective Professional Bodies.

Issued on June 10, 2020

Annexure I

Examples for ML/TF risks associated with the Captured Activities

	Captured Activity	Examples for such Activities	Examples for ML/TF Risks associated with such Activities
1	Buying and selling of real estate	Involving or arranging buying and selling of immovable properties on behalf of the client.	Criminals may use Accountants as front persons to purchase properties on behalf of them exploiting Accountants' reputation.
2	Managing of client money, securities or other assets	Making direct payments on behalf of a client, directly from bank accounts of the client.	As the holding of funds are transferred to the service provider, it adds an appearance of legitimacy and may conceal the source of funds.
3	Management of bank, savings or securities accounts	Occupation details does not match with the transaction value of a gem	
4	Organization of contributions for the creation, operation or management of companies		
5	Creation, operation or management of legal persons or arrangements and the buying and selling of business entities	Registering a company with the company's office on behalf of a client.	<ul style="list-style-type: none"> - The actual ownership of the company may be concealed/obscured - Complex legal structures are used
		Forming an incorporated society on behalf of a client	<ul style="list-style-type: none"> - The implied purpose of a charitable trust seems to be broad with no clearly targeted groups.

Annexure II

An Example of a Checklist for Service Provider's ML and TF Risk Assessments

The following checklist is intended to provide an example of how to assess risk for your customers, products, services, delivery channels and geographic locations. This is only a starting point and the service provider should customize the checklist according to your business. If you already use another risk assessment tool, you can continue to use it or enhance it as necessary.

When risk indicators are high or medium, you should consider risks for money laundering or terrorist financing and appropriate risk responses in the form of policies, procedures and controls to avoid or to control and mitigate the risks, as appropriate for your practice.

Sample Institutional ML/TF Risk Assessment for Accountants and Trusts or Company Service Providers					
Name of the Institution		XXX			
S/N	Risk Factor	Institutional Risk	Risk Indicator		Risk Mitigating Measure
			High	Low	
1) Assessing Nature, size and complexity of the Institution					
1.1	Size of the business	Eg. Large/Small (considering the organizational structure, number of employees, availability of branches, number of clients, etc.)			


1.2	Ownership structure	Eg. Individual ownership (local, foreign, dual citizens)/ Ownership under another entity (local, foreign) or (sole proprietorship, partnership, company)			
1.3	Complexity of the service provider	Eg. Sole Proprietor with a simple structure/ Partnership with a simple structure/ Pvt Ltd Company/ Public Ltd Company/ company with branches in foreign countries.			
1.4	Nature of the services provided and activities recognised as being associated with ML/TF vulnerability	Eg. Services which are involved in sectors identified as highly vulnerable to ML/TF or highly cash intensive businesses (Real Estate businesses, casino, gem and jewellery dealers, auto mobile industry).			
2) Client Risk					
2.1	Ownership structure	Eg. Individual ownership (local, foreign, dual citizens)/ Ownership under another entity (local, foreign) or (sole proprietorship, partnership, company)			
2.2	Clients in high-risk occupations	Eg. Clients who are engaged in businesses or occupations that are highly vulnerable to ML/TF (Casinos, Real Estate Businesses, Accountants, Lawyers)			
2.3	Clients residing outside Sri Lanka	Eg. Foreign clients / Local clients			
2.4	Clients reside in high-risk jurisdiction	Eg. Clients from Iran/ Pakistan or any Other Jurisdictions Monitored by the FATF			
2.5	Politically Exposed Persons (PEPs)	Eg. Client who is a Politician/ Senior government officer/ Head of a State or a Government, etc.			
2.6	Clients are located in a known high crime rate area	Eg. Clients from Mexico which is well-known for Drug trafficking			
2.7	Client's physical location	Eg. Well known clients/ Well established business persons/ Clients not known to the service provider/ Clients using their company secretary's address as the business address			
2.8	Clients have a criminal records or links to organized crime	Eg. Known criminals			
3) Services risk					
3.1	Services support physical cash deposits and/or withdrawals	Eg. Accepting money from the client			
3.2	Services that facilitates international fund transfers	Eg. Fund transfers from foreigners			
3.3	Services support payments to /from third parties or non-clients	Eg. Allows non-face-to-face transactions/ Refund on advances are paid to a party other than the client or to a different account which the funds were initially generated.			
3.4	Services support transactions that can be conducted remotely or without interaction with the service provider	Eg. Maintain client's bank accounts			

3.5	Provide services linked with establishing, operating or managing of a shell company, company in nominal ownership.	Eg. Engages in creation, operation or management of legal persons or arrangements.			
3.6	Conducts transactions without clear commercial rationale	Eg. Continuously transfer funds to dormant account			
4) Delivery Channels/Business Relationships Risk					
4.1	Method of delivery remove or minimise face-to-face contact with the client	Eg. Transaction through internet/ wire transfers			
4.2	Third party can be used as delivery channel	Eg. Use of agents/ Service providers/ Lawyers/ Accountants			
4.3	Delivery channels involving cross-border payments	Eg. Wire transfers, Online transactions			
4.4	Delivery channels involving cash payments	Eg. Using cash for service charges			
5) Geographical Risk					
5.1	Dealings with countries that have weak or ineffective AML/CFT measures or subject to sanctions, embargoes or similar measures issued by the United Nations Security Council Resolution (UNSCR)	Eg. Countries which are monitored jurisdictions like Ghana, Botswana, etc./ High risk jurisdictions-Iran and North Korea			
5.2	Dealings with countries where illegal activities are taken place.	Eg. countries with high degree of organised crime or drug related crime or high degree of people trafficking or smuggling			
5.3	Dealings with countries that have a high degree of corruption and bribery	Eg. Somalia, South Sudan, Syria (Source: Corruption Perceptions Index 2018)			
5.4	Dealings with countries that are in a conflict zone or have significant terrorism activity or as providing funding or support for terrorist activities	Eg. Syria, Afghanistan, Iraq			
5.5	Any country identified as a financial secrecy haven or jurisdiction	Eg. Switzerland, USA, Cayman Islands (Source: The Financial Secrecy Index 2018)			
5.6	Branches and subsidiaries of the service provider are located in other countries	Eg. Country which has weak or ineffective AML/CFT measures/ High-Risk Jurisdiction/ Countries that have a high degree of organised crime or drug related crime or high degree of people trafficking or smuggling/ Countries having strict AML/CFT laws and regulations			

Notes to the Risk Assessment		
S/N	Risk Factor	Description on the Risk Factor
1) Assessing Nature, size and complexity of the Institution		
1.1	Size of the business	Larger the business, possibility of occurring suspicious activities and transactions during the course of business is higher.
		Large organisations may have difficulty in monitoring the implementation of AML/CFT measures to meet AML/CFT requirements.
1.2	Ownership structure	The ML/TF risk is higher when the ownership is under foreign/dual citizens or another entity compared to local/ individual ownership.
1.3	Complexity of the services	Greater complexity decreases the transparency of business transactions and activities, increases ML/TF vulnerability and may reduce the effectiveness of AML/CFT measures.
1.4	Nature of the services provided and activities recognised as being associated with ML/TF vulnerability	Services or activities which have been identified as high or medium level vulnerable to ML/TF during the National Risk Assessment or high cash intensive businesses.
2) Client Risk		
2.1	Ownership structure	Complex and non-transparent structures may hide and disguise beneficial ownership/effective control and disguise ML/TF activities. Client may establish legal entities in a chain of multi-jurisdictional structures to hide the true ownership and control of assets held overseas.
2.2	Clients in high-risk occupations	Some occupations can have greater vulnerability to ML/TF. (For example, cash intensive businesses, gatekeeper occupations, jewellers, high-value goods dealers, real estate agents, travel agents, import/export companies, remitters and money service businesses)
2.3	Clients residing outside Sri Lanka	Clients who are foreigners or Sri Lankan expatriates residing in other countries.
2.4	Clients reside in high-risk jurisdiction	Client reside in a high-risk jurisdiction pose a higher level of ML/TF vulnerability to the service provider.
2.5	Politically Exposed Persons (PEPs)	Due to their position and influence, PEPs are in positions that potentially can be abused for the purpose of committing ML offences and related predicate offences, including corruption and bribery, as well as conducting activity related to TF.
2.6	Clients are located in a known high crime rate area	Clients reside in a knowing area for high crime rate may create a higher level of ML/TF vulnerability to the service provider.
2.7	Client's physical location	It is difficult to track down the true identity of a client who does not have an address or who have several addresses. This will result in high ML/TF vulnerability to the service provider.
2.8	Clients with criminal records or links to organized crime	When the clients have prior criminal records or links to organised crimes. The ML/TF vulnerability posed by such customers become high.
3) Services risk		
3.1	Services support physical cash deposits and/or withdrawals	The ease of movement of cash without audit trail makes it highly vulnerable to ML/TF activity. If the offered services by your Institution provide platform to deposit or obtain cash (e.g. at ATMs, at point of sale, or through a cash advance transaction) then ML/TF risk of such occasions should be considered. When these cash transactions are in a large amounts it will compound the ML/TF risk.
3.3	Services that facilitates international fund transfers	If the services facilitate inward or outward remittances, such remittances which are received or paid avoided the stipulated mechanisms (IIA, OIA).
3.3	Services support payments to/from third parties or non-clients	This can disguise the beneficial ownership or effective control of funds. The presence of multiple intermediaries and agents can hide and disguise beneficial ownership.
3.4	Services support transactions that can be conducted remotely or without interaction with the service provider	Less face-to-face interaction with a customer increases vulnerability to ML/TF activity. Especially online activity can facilitate high-frequency and high-value activity on an international level, often with little or no interaction between the service provider and client.

3.5	Provide services linked with establishing, operating or managing of a shell company, company in nominal ownership.	Shell companies (also called phantom firms or anonymous companies) are entities that are used to disguise the identity of their true owner) who ultimately control or profit from the company.
3.6	Conducts transactions without clear commercial rationale	Criminals do transactions without any specific reason to hide criminally earned money. This will create a high ML/TF vulnerability.
4) Delivery Channels/Business Relationships Risk		
4.1	Method of delivery remove or minimise face-to-face contact with the customer	Non- face-to-face interaction with a customer increases vulnerability to ML/TF activities.
4.2	Third party can be used as delivery channels	This may result in your client's identity, beneficial owner or effective controller not being transparent, which increases ML/TF risk.
4.3	Delivery channels involving cross-border payments	Cross border payments, foreign remittances, and transfers from foreign currency accounts involve high ML/TF risk.
4.4	Delivery channels involving cash payments	The ease of movement of cash without audit trail makes it highly vulnerable to ML/TF activity. If there are high volume cash payments involved then ML/TF risk of such occasions should be considered.
5) Geographical Risk		
5.1	Dealings with countries that have weak or ineffective AML/CFT measures or subject to sanctions, embargoes or similar measures issued by the United Nations Security Council Resolution (UNSCR)	Some countries have been identified by the Financial Action Task Force (FATF) as non-cooperative in the fight against money laundering or terrorist financing as well as United Nations impose sanctions against some countries. Clients from such countries poses high ML/TF risk to the service provider.
5.2	Dealings with countries where illegal activities are taken place.	The presence of a high level of organised crime is an important consideration in determining country risk.
5.3	Dealings with countries that have a high degree of corruption and bribery	The presence of a high level of bribery and corruption is an important consideration and a primary driver in determining country risk. Bribery and corruption fundamentally weaken any AML/CFT regime.
5.4	Dealings with countries that are in a conflict zone or have significant terrorism activity or as providing funding or support for terrorist activities	Conflict zones present an extremely high risk of TF and ML. Tracing the flow of funds into and through these regions is extremely difficult. Non-profit organisations operating in these zones may be vulnerable to abuse or used as cover.
5.5	Any country identified as a financial secrecy haven or jurisdiction	Financial secrecy occurs when there is a refusal to share financial information of a person/entity with legitimate authorities - for example, tax authorities and police authorities. Hence, when dealing with customers from such countries the barriers on obtaining their financial information shall be assessed in terms of high or low ML/TF risk.
5.6	Branches and subsidiaries of the Institution are located in other countries	When the service provider's branches or agents are located in other jurisdictions the ML/TF risk may be high or low depending on the factors such as AML/CFT deficiencies, measures and laws prevailing in those countries.

- Compliance Officer Declaration Form

 <p>Financial Intelligence Unit இலங்கை இலாப சேவை நிதியியல் உளவறிதல் பிரிவு</p>	Declaration of the Compliance Officer appointed under Section 14 (1) (a) of the Financial Transactions Reporting Act, No. 6 of 2006	<i>for office use only</i> <div style="border: 1px solid black; height: 20px; width: 100%;"></div>
This form should be filled by the owner/Managing Director/Chief Executive Officer of the institution		
Type of declaration A <input type="checkbox"/> Initial Registration B <input type="checkbox"/> Alteration of existing information	Sector A <input type="checkbox"/> Real Estate D <input type="checkbox"/> Lawyer/Notary B <input type="checkbox"/> Gem and Jewellery E <input type="checkbox"/> Accountant C <input type="checkbox"/> Casino F <input type="checkbox"/> Trust/Company Service Provider	
<p>We wish to inform you that Mr/Mrs /Miss(name) (Designation) has been appointed as the Compliance Officer of (Reporting Institution) under Section 14 (1) (a) of the Financial Transactions Reporting Act, No. 6 of 2006, to ensure the institution's compliance with the Act.</p> <p>The details of the Compliance Officer are as follows:</p> <p>NIC/Passport Number:</p> <p>Official Address :</p> <p>Telephone number : Office Mobile.....</p> <p>Email Address : Fax</p> <p>Specimen Signature :</p> <p>Yours faithfully</p> <p>.....</p> <p>Signature of the owner/MD/CEO with Official Stamp Date</p> <p>Name of the owner/MD/CEO : Mr/Mrs/Ms/Dr</p> <p>NIC/Passport Number :</p> <p>Official Address :</p> <p>Telephone number : Office Mobile</p> <p>Email Address : Fax</p> <p>Copy to : (name of the compliance officer)</p>		

Annexure IV**Anti-Money Laundering/Countering Financing of Terrorism Suspicious Indicators (Red Flags) for Accountants****Client and client behavior:**

- i. Client executes transaction/transactions which is/are not consistent with his usual profile.
- ii. Client makes a transaction/s inconsistent with his usual financial status/profile.
- iii. Client has cheques inconsistent with his/her sales (i.e. unusual payments from unlikely sources).
- iv. Client has a history of changing book-keepers or Accountants very frequently.
- v. Client is a company that has no employees, which is unusual for the type of business.
- vi. Client is a company that is paying unusual consultant fees to offshore companies.
- vii. Client conducts large or frequent transactions using foreign currency without any economic rationale.
- viii. Client is suspected to be using forged, fraudulent or false identity documents for due diligence and record keeping.
- ix. Client maintains and submits incomplete account records to the Accountants in order to finalize the accounts.
- x. Client is unusually concerned and/or makes inquiries about the AML/CFT requirements and internal compliance policies, procedures or controls.
- xi. Client attempts to maintain a high degree of secrecy with respect to transactions, for example by requesting not to keep normal business records.
- xii. Client avoids answering questions related to the source of funds.
- xiii. Client is known to have a criminal/terrorism background.
- xiv. Client appears to be related to a country or entity that is associated with ML/TF activities.
- xv. Client is a resident in a geographical area which is considered as high risk for ML/TF.
- xvi. Client is a company that has nominee shareholders shares in bearer form.
- xvii. Client is a company that involves in a cash intensive business.
- xviii. The corporate structure of the client(company) is unusual or complex as that of the other similar corporates in the same industry.
- xix. The legal structure of the client (company) is frequently altered including name changes, transfers of ownership, and location of headquarters.
- xx. The Accountant does not have a face-to-face introduction to the client.
- xxi. Beneficial ownership of the client is unclear.
- xxii. The client is a PEP or a close relative of such a person.

Product, Service or Delivery Method Risk:

- i. The product involves private banking.
- ii. Payments are received from unknown or unassociated third parties.
- iii. New products, new delivery channels and new business practices are involved.

Country/Geographic Risk

- i. Client is dealing with a country which is not having effective systems to counter ML/TF.
- ii. Client is remitting funds to countries which have been recognized as having significant level of corruption, drug/human trafficking or terrorism.
- iii. Client is receiving funds from a country which is known for financing terrorism.

Annexure V

Case Studies as Examples of ML & TF through Accountants

Case Study 01

The Police of Country Z has revealed that Mr. D, a human trafficker in Country Z has received a large amount of funds as frequent cash deposits in small amounts. These funds have been used to purchase real estate in Country Y. It has also been revealed that an Accountant has been used by Mr. D to open bank accounts and purchase real estate. Accountant also has offered investment advices to Mr. D.

Case Study 02

"Company M" which is an Accounting Firm has provided his service to "Client H" to purchase number of properties. "Client H" owns a car sale business However, he has links to a drug trafficking business as well.

Funds to purchase these properties were provided in cash and the amount of cash given has been huge despite the earnings from his legitimate business activities.

After the reveal of the connection "Client H" had with the drug trafficking business, "Company M" was convicted for not making a Suspicious Transactions Report to the FIU.

Case Study 03

Client A of "Accounting Firm KA" has made frequent requests to wire money to and from various bank accounts without giving any reasonable explanation for it. Client A has also requested the firm to make cash deposits in different financial institutions. The Compliance Officer of "Accounting Firm CA" has identified this client as suspicious and had reported to the FIU of this suspicious nature of transactions. Later it has been revealed that the Client A has links with a terrorist group and had assisted terrorism financing activities using the Accounting Firm.

Annexure VI

Schedule V

CONFIDENTIAL

Province :

District :

SUSPICIOUS TRANSACTION REPORT

- a. This report is made pursuant to the requirement to report suspicious transactions under the Financial Transaction Reporting Act, No. 6 of 2006
- b. Under Section 12 of the Act, no civil, criminal or disciplinary proceedings shall be brought against a person who makes such report in good faith

PART A - DETAILS OF REPORT

1	Date of Sending Report	
2	Is this replacement to an earlier report?	Yes <input type="checkbox"/> No <input type="checkbox"/>

PART B - INFORMATION ON SUSPICION

3.	Name in Full (if organization, provide registered business/ organization name)	
4.	Residential/ Registered Address	
5.	NIC No. / Passport No./ Business Registration No.	
6.	Gender	Male <input type="checkbox"/> Female <input type="checkbox"/>

7.	Country of Residence and Nationality (if an individual)	
8.	Business/ Employment Type	
9.	Occupation (where appropriate, principal activity of the person conducting the transaction)	
10.	Name of Employer (where applicable)	
11.	Contact Details	
PART C - DESCRIPTION OF SUSPICION		
12.	Details of Transaction / Activity	
13.	Ground / Reasons for Suspicion	
PART D - DETAILS OF REPORTING PERSON		
14	Date of Reporting	
15	Signature	
16	Name of Reporting Person/Agency	
17	NIC Number	
18	Designation / Occupation	
19	Address	
20	Contact Details	

Circular No; 03/2020

Ref: 037/02/008/0010/016

June 15, 2020

To: CEOs/GM/MDs of the Financial Institutions

**FINANCIAL INSTITUTIONS ARE ADVISED TO BE VIGILANT TO EMERGING
MONEY LAUNDERING/ TERRORIST FINANCING RISKS**

Further to the Financial Intelligence Unit (FIU) Email dated March 23, 2020 on the above,

The Financial Institutions (FIs) are advised to increase the vigilance/ due diligence and take appropriate measures to protect the financial system from possible money laundering/terrorist financing risks arising during the global COVID-19 Pandemic. Accordingly, your attention is drawn to following factors,

- a) The FIU has been informed of several cyber-attacks and hacking incidents where the funds have been transferred using false/ erroneous email credentials. Accordingly, FIs are requested to continue to remain alert against possible security breaches and take measures to prevent such incidents occurring, and alert the possible victims of such attacks immediately.
- b) The disclosures received by the FIU from state intelligence and law enforcement agencies and STRs received has led the FIU to believe an increasing trend of terrorist financing, financial fraud and use of charitable organizations to exploit the vulnerabilities that arose with the global Covid-19 pandemic situation.
- c) FIs should take precautionary measures against cyber criminals and hackers looking to take advantage of the current situation prevailing within and outside the country. As with the COVID-19 outbreak customers were encouraged to use more online/ internet banking which may have led to unforeseen increase in system vulnerabilities.

- d) FIs are advised to take precautionary measures, including immediately alerting customers on electronic transactions. In the event of such cyberattacks/hacking, inform the customer affected and take steps to inform the Police / Criminal Investigation Department if such attacks/hacking incidents are observed in addition to submitting a STR to the FIU.

Yours faithfully,

Director
Financial Intelligence Unit

Cc : Financial Sector Regulators
Compliance Officer of Financial Institutions

Direction No; 01/2020

Ref: 037/05/003/0005/016

August 21, 2020

To CEOs /GMs/MDs of the Licensed Banks

CONTACTING COMPLIANCE OFFICIALS DURING WEEKENDS/ PUBLIC AND BANK HOLIDAYS

It has become necessary to identify compliance officials and their contact details to carryout suspension orders issued under Section 15(2) of the Financial Transactions Reporting Act, No. 6 of 2006 at any time of day, be it a weekday, weekends or public/ bank holidays. Accordingly, you are hereby directed to nominate three officials of your institution to implement such suspension orders and inform the FIU of their details in the following form to the fiulegal@cbsl.lk.

1. Name and Designation :
2. Email :
3. Telephone (Mobile & Fixed line) :
4. Fax :

Please note that such nominated officials should be contactable during weekends or public/ bank holidays and they should have the required level of authority and access to implement such suspension orders without delay.

Director
Financial Intelligence Unit

Cc : Compliance Officer

Guideline No. 03/2020

Ref:037/05/006/0009/020

December 30, 2020

To: CEOs / General Managers/Managing Directors of All Financial Institutions

Dear Sir/Madam

Revised Guidelines for Non Face-to-Face Customer Identification and Verification Using Electronic Interface Provided by the Department for Registration of Persons, No. 3 of 2020

Further to the Guideline issued dated October 22, 2020 on the above.

The above revised Guideline will come in to force with immediate effect and shall be read together with the Financial Transactions Reporting Act, No. 6 of 2006, Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016 and Insurers (Customer Due Diligence) Rules, No. 1 of 2019 as amended from time to time.

Accordingly, the Guideline issued on 22.10.2020 will be withdrawn w.e.f. 30.12.2020.

Yours faithfully,

Director
Financial Intelligence Unit

- Cc; 1) Director, Bank Supervision Department of Central Bank of Sri Lanka
2) Director, Department of Supervision of Non-Bank Financial Institutions of Central Bank of Sri Lanka
3) Director, Payments and Settlements Department of Central Bank of Sri Lanka
4) Director General, Securities and Exchange Commission of Sri Lanka
5) Director General, Insurance Regulatory Commission of Sri Lanka
6) Commissioner General, Department for Registration of Persons
7) Compliance Officers, all Financial Institutions

GUIDELINES FOR NON FACE-TO-FACE CUSTOMER IDENTIFICATION AND VERIFICATION USING ELECTRONIC INTERFACE PROVIDED BY THE DEPARTMENT FOR REGISTRATION OF PERSONS, NO. 3 OF 2020

PART I

Introduction

1. These Guidelines are issued pursuant to section 15(1) (j) of the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA).
2. These Guidelines are issued to Financial Institutions (FIs) and Insurers¹ (INs) to facilitate verification of identity (verification against the original document) when onboarding non face-to-face² individual customers (natural persons) using electronic interface provided by the Department for Registration of Persons (hereinafter referred to as DRP).
3. These Guidelines will come into force with immediate effect and shall be read together with the FTRA and Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016 (FI CDD Rules) and Insurers (Customer Due Diligence) Rules, No. 1 of 2019 (IN CDD Rules) as amended from time to time.
4. These Guidelines may be modified from time to time or withdrawn in the event of any unforeseen risks arising in the future or when more effective and reliable methods for establishing and verifying customer identity in non face-to-face onboarding come into force.

PART II

Scope

5. These Guidelines provide alternate methods to meet the requirement of “verification against original document” for individual customers who are natural persons as detailed in the following:
 - a) Schedule to the FI CDD Rules under Rule 27 – Item (1) (b)(i)—verification of identity document
 - b) Schedule to the FI CDD Rules under Rule 27 – Item (1) (b)(ii)—verification of address
 - c) Schedule to the IN CDD Rules under Rule 26 and 41 – Item (1) (b)(i)—verification of identity document
 - d) Schedule to the IN CDD Rules under Rule 26 and 41 – Item (1) (b)(ii)—verification of address
6. All other requirements imposed under CDD Rules will be applicable to customers onboarded using the above method without any exception.

PART III

Methods of Application

7. Verification of individual customer identity document
 - a. Claimed Identity³. FIs must continue to identify their customers in full accordance with CDD Rule 27(1)(a) and obtain all information described in Rule 27(1)(b) from the customer.

Claimed identity information may be obtained by the FI/IN in any manner that safeguards its integrity during the process of transmission. Potential modes of obtaining identity information include but are not limited to electronic forms, mobile app, video conferencing, secure email, kiosks/ ATMs/ CDMs, registered post, etc.
 - b. Existence of Claimed Identity. FIs may use electronic interface published by the DRP to obtain information to independently validate the customer’s claimed identity, provided:
 - i. The interface is accessed with the unique credentials assigned to the FI/IN by the DRP;
 - ii. The interface is accessed strictly in accordance with its terms of use;
 - iii. The interface returns to the FI/IN:
 - (a) a record that uniquely matches the claimed identity information provided by the customer in a form suitable for verification of customer identity claims, and
 - (b) such record includes an image of the person to whom the identity has been assigned to, and
 - (c) the image rendered is suitable for the purpose of associating the record with the claimed identity of the customer;
 - iv. The FI/IN has no reasonable indication to believe that the interface, or the effectiveness thereof, has been maliciously compromised in any way.

1. **Insurers** shall have the same definition as provided for in the Rule 2 of the Insurers (Customer Due Diligence) Rules, No. 1 of 2019,

2. **Non-face-to-face** interactions are considered to occur remotely, meaning the parties are not in the same physical location and conduct activities by digital or other non-physically-present means

3. **Claimed Identity** refer to an applicant’s declaration of not validated and unverified personal attributes.

- c. Associating Claimed Identity with Customer. The following steps must be performed in order to associate the claimed identity with the customer:

- i. Obtaining Customer Imagery and other documents from the Customer:

High-quality still images⁴ of the customer, ID documents and address verification documents must be obtained. For customers not physically present in Sri Lanka, passport images must also be obtained containing customer biographical data, a current visa and an entry stamp or any other entry permitting official document for the country where they are located. The imagery should be of sufficient quality to read details and to inspect generic security features⁵ of the identity document, to identify unique facial features of the customer, and to detect any potential alterations to the document. Ideally, the imagery should be obtained from a device known to be associated with the customer (e.g. a mobile phone) or from a dedicated device operated by, or on behalf of, the FI/IN (e.g. kiosk devices).

- ii. Obtaining Customer Real-Time Video from the Customer

A staff member of the FI/IN must engage in a high-quality real-time video⁶ conference with the customer and verify the possession of his identity documents and address verification documents during this real-time video conference. For customers not physically located in Sri Lanka, passport and visa data from (i) must also be verified. The customer should respond via real-time video conference to FI/IN inquiries in order to establish the authenticity of the imagery and the accuracy of other customer provided information.

- iii. Obtaining Customer Imagery from DRP

FIs must use electronic interface published by DRP in order to obtain information to authenticate the validated identity information against the customer claimed identity, in accordance with the provisions detailed in paragraph 7(b). As a practical matter, the only currently available information for this purpose is a photographic image associated with a National Identity Card (NIC).

FI/IN must maintain a record on identity information obtained through DRP electronic interface for each customer (eg. audit log, unique reference, or screenshot).

- iv. Authenticating Claimed Identity to Customer

The following modes shall be used to authenticate the claimed Identity to the Customer:

1. Algorithmically: FIs that intend to authenticate a claimed identity algorithmically using data and images obtained from both the customer and DRP must obtain prior approval from the FIU in the form of an “enforcement forbearance” by submitting an application to the CBSL “Regulatory Sandbox” and completing the FIU’s addendum to the application. Without such forbearance obtained and followed up by entering to an FI/IN agreement with the FIU to abide by the terms of the forbearance, FIs/INs are not permitted to authenticate claimed identities using this mode.

The Sandbox Framework documents along with the Sandbox application form can be downloaded at <https://www.cbsl.gov.lk/en/public-notice>. For any inquiries or clarification contact Payments and Settlements Department of Central Bank of Sri Lanka on 2477542, 2477642 or e-mail to sandbox@cbsl.lk.

2. Manually: Manual comparison by employees of the FI/IN should be made in all cases when an algorithmic comparison has not been approved by the FIU through guidelines or specific letters of forbearance [e.g. obtained through the CBSL Regulatory Sandbox]. The standard for successful non face-to-face authentication should be at least as rigorous as for the FI/IN’s face-to-face mode.
3. A combination of algorithmic and manual modes may also be used. However, if the algorithmic mode employed has not been approved by the FIU through guidelines or specific letters of forbearance then the manual mode must function as the sole determinative.

When the claimed identity cannot be verified or authenticated the FI/IN must not enter into a business relationship with the customer or process transactions on behalf of the customer using this alternative verification method.

8. Verification of Individual Customer Address

Individual Customer addresses may be verified using data matching the customer’s claimed identity obtained by the FI/IN through a DRP electronic interface. If the residential address provided by the customer differs from the address obtained through a DRP electronic interface, the FI/IN must instead verify the customer’s address using independent data or services provided electronically FI/IN from one or more sources⁷ or obtaining high quality images of the address verification documents

4. **High-quality still images** refer to resolution equivalent to 300 PPI/ DPI (Pixels Per Inch / Dots Per Inch) or higher.

5. **Generic security features** refer to features of the identity document generally visible when the physical document is inspected

6. **High-quality real-time video** refers to consistent resolution equivalent to 360p (pixels) or higher with minimal frame dropage

7. **Independent data or services provided electronically from one or more sources** (for address verification) refer to use of utility service providers websites or mobile applications for bill payments which indicate the address with the name.

or obtaining e-statements of address verification documents specified in Schedule to the FI CDD Rules under Rule 27- Item (1) (a)(a1)(iii) or IN CDD Rules under Rule 26 and 41- Item (1)(a)(a1)(iii).

9. Instances where FIs should refrain from opening accounts or establishing business relationships non face-to-face.
 - a. When non face-to-face customer uses any other identification document other than national identity card such as passport or driver's license to identify himself.
 - b. When high quality interactive real time video of the customer cannot be obtained.
 - c. When high quality data and still images of customer identity documents cannot be obtained.
 - d. When identity documents presented by the customer appear to be damaged or degraded to the point that the documents are no longer fit for the purpose of identification.
 - e. When identity documents presented by the customer appear altered or when document's generic security features cannot be validated or when the integrity of the document is suspected under any other reason.
 - f. When the customer refuses or unable to comply with any aspect of the FI/IN's established non face-to-face onboarding procedures. The customer cannot be on boarded using the non-face-to-face mode if customer fails to cooperate with full completion of the FI/IN's established non face-to-face onboarding procedure. Such non-compliance can take many different forms including but not limited to a refusal or inability to adjust ambient lighting, a refusal or inability to remove anything that obscures a clear view of the customer's face, customer's refusal or inability to remain still or to still the image capturing device, customer's refusal or inability to answer questions posed by the onboarding officer(s).
 - g. When a failure of FI/IN systems prevents the FI/IN from fully executing their established non face-to-face onboarding procedures to include, for example, recording and secure storage of onboarding video and image captures of identity documents.
 - h. When the claimed identity cannot be shown to exist using the DRP electronic interface.
 - i. When details of the customer's claimed identity are not consistent with details obtained for the claimed identity through the DRP electronic interface.
 - j. When a non face-to-face customer presents a NIC with a photo image, which the onboarding officer matches with data and imagery from the DRP, but unable to positively match with the current appearance of the customer claiming the identity.
 - k. When a non face-to-face customer appears to have intentionally modified his appearance in a manner intended to compromise the ability of the FI/IN to accurately identify and verify the customer and to fully complete its established non face-to-face onboarding procedure.
 - l. When a claimed identity cannot be authenticated to the customer due to an inability to match, with a high degree of confidence, the images obtained of the customer and of the customer identity documents with corresponding images obtained from DRP.
 - m. When the FI/IN has reason to doubt the veracity of any customer claims, whether related to identity or otherwise.
 - n. When customer behavior causes the FI/IN to doubt the legal intents or purposes of the customer in establishing business relations.
 - o. When the FI/IN is unable to identify the current location (eg. using Global Positioning System (GPS) or any other suitable mechanism to identify the location⁸ and to determine whether customer is a resident or a non-resident) of the customer by the FI.
 - p. Where the FI/IN has a reasonable suspicion on the authenticity of the document(s) in any manner.
10. Policies, Training, Record Keeping and Audit
 - a. The FI/IN must establish clear policies and procedures for non face-to-face customer identification and onboarding prior to applying the alternate methods described herein.
 - b. The FI/IN must conduct at least an entry level training programme and carry out ongoing training for relevant onboarding staff prior to applying the alternate methods described herein. The FI/IN should extend adequate training to staff relevant

8. **any other suitable mechanism to identify the location** refer to use of IP address, calling landline phone number, calling foreign phone number, current visa and an entry stamp or any such mechanism to identify resident, non-resident status. However, obtaining customer declaration on resident and non-resident status is not acceptable.

to the functions other than onboarding, where the FI/IN is of the view that such training would be beneficial for the success of the operations directly or indirectly associated with customer relations.

- c. FI/IN records that are unique to the alternate methods of customer identification and onboarding contained herein are fully subject to CDD rules regarding record keeping and must be retained in a form sufficient for an internal or external auditor to independently reconstruct the full identification process for any specific customer. Retention of video images is recommended. In the case where a suspicion is formed related to customer's identity, the retention of video is mandatory.
- d. FI/IN customer identification programmes using the alternate methods described herein must be included in the FI/IN's internal audit scope under Anti Money Laundering and Combating the Finance of Terrorism (AML/CFT) aspects in order to determine efficacy of the programme and to detect operational deviations from policy.

PART IV

Risk Management

11. The non face-to-face methods of identity verification described herein must be considered in the context of the FI/IN's "risk-based approach" prior to use. The FI/IN's risk assessment must be updated to reflect the impact of the non face-to-face methods.
12. Customer risk profiles must reflect any non face-to-face methods of identification used for the purpose of their identification.
13. The risks related to customers identified using non face-to-face methods described herein should be managed in accordance with the risk management measures outlined in the FI/IN CDD Rules.
14. Risks of the customers located outside of Sri Lanka must be managed in accordance with the known risks of the jurisdiction where the customer is located.

PART V

STR Reporting

15. The entirety of the circumstances, most especially those related specifically to non face-to-face customer identification, must be considered in order to determine whether filing a suspicious transaction report with the FIU is warranted in relation to non face-to-face customer onboarding.
16. Such circumstances may include but not limited to impersonation, any doubt on document authenticity, forged ID and address verification documents, altered ID or address verification documents, altered images, spoofing, reluctance to cooperate or provide additional information for verification, suspicious behavior, discrepancies in information provided.

PART VI

Enforcement

17. The FIU will forbear on enforcement of Schedule to the FI CDD Rules under Rule 27- Items (1) (b)(i) and Schedule to the CDD Rules under Rule 27- Item (1) (b)(ii) and IN CDD Rules under Rule 26 and 41- Items (1) (b)(i) and Schedule to the IN CDD Rules under Rule 26 and 41- Item (1) (b)(ii) when:
 - a. the non face-to-face methods of customer identification contained herein are applied to a particular individual customer, and;
 - b. these Guidelines are strictly followed in its entirety by the FI; and
 - c. until such time that this Guidance remains in force.

Our Ref: 33/04/012/0011/002

17th August 2020

To : Heads of Treasury of All Eligible Licensed Banks (LBs)

OPERATING INSTRUCTIONS TO SUBMIT IMPORT TRADE INFORMATION

All LBs are required to submit a weekly report on "Import Trade Information" to facilitate the forecast of potential demand for foreign exchange through maintaining a comprehensive database on information relating to import trade of banks and to ensure smooth operations of domestic foreign exchange market.

Currently, all LBs submit the "Forex Requirements (FXR)" on imports on daily basis to CBSL through Central Integrated Market Monitor (CIMM) system. However, it has been noticed that most of the information submitted by LBs are not sufficiently comprehensive and are found to be inaccurate in retrospect. Therefore, in order to cover a wider spectrum of accurate and comprehensive import trade information, CBSL will introduce a new interface on CIMM, "Import Trade Information (FXM)" for banks to upload import trade related data, with effect from 21st August 2020.

Accordingly, all LBs are required to adhere with the following Operating Instructions (OI) in submitting “Import Trade Information” to the CBSL.

01. Mode of Submission

Information should be submitted through the Central Integrated Market Monitor (CIMM) system of CBSL. The operating procedures for uploading the information into CIMM are as below:

- Information should be uploaded via a text file (.txt) in the given format specified in the CIMM interface (A guideline to convert an excel file in to a text file is given under “FXM Module” on CIMM).
- When submitting bulk data which exceeds 5,000 entries, LBs should upload multiple files in to CIMM.
- All returns including “Nil” returns should be approved by the authorized user in FXM module of CIMM.

02. Frequency of Submission

Weekly basis on or before 12:00 noon on the last working day of each week.

03. Required Information

Details of the outstanding import trade facilities are required to be submitted. This is the outstanding import trade facilities, prevailing as at the closure of day prior to the last working day of each week. A “Nil” return should be submitted, in case if a bank does not have any outstanding import trade facility to be reported.

For example, the details of outstanding import trade facilities as at the closure of 20th August 2020, should be submitted to CBSL before 12:00 noon on 21st August 2020.

04. Definitions of Data Fields in the Import Trade Information Report

(i) Column A – “Type of Facility”

Type of facility should be entered as a code selected from the following list which contains below facilities.

- LC(U) - Letter of Credit: Usance
- LC(S) - Letter of Credit: Sight
- DP - Documents Against Payment
- DA - Documents Against Acceptance
- AP - Advance Payment
- OA - Open Account
- CO - Consignments
- OT - Other

For example, for the facility “Advance Payment”, code “AP” should be entered.

(ii) Column B – “Identification Number of the Facility”

“Identification Number of the Facility” is a unique identification reference for each facility.

(iii) Column C – “Applicant’s Name”

The name of the customer (individual or establishment).

(iv) Column D – “Facility Issue Date”

This should be in the format of year-month-date.

For example, if a facility is opened on 24th July 2020, the date in the FXM Report should be 2020-07-24.

(v) Column E – “Facility Expiry Date”

This is a predetermined expiry date of the facility on which date the bank intends to pay the foreign currency on behalf of the customer. This should be in the format of year-month-date.

For example, if a facility to be expired on 30th September 2020, the date in the FXM Report should be 2020-09-30.

(vi) Column F – “First Possible Payment Date”

If there is no predetermined expiry date for the facility, the bank can assess the nearest possible payment date for the foreign currency payment of the facility and insert such date. This should be in the format of year-month-date.

For example, if a facility is expected to be settled on 30th September 2020, the date in the FXM Report should be 2020-09-30.

(vii) Column G – “Facility’s Outstanding Balance in USD Equivalent as at the Closure of the Day Prior to the Reporting Date”

Outstanding balance of the facility as at the closure of the day prior to the last working day of each week should be reported in USD. If a facility is denominated in another foreign currency other than the USD, the outstanding balance should be converted into USD by using a suitable reference exchange rate. The amount should be stated in USD up to two decimal places.

For example, for the reporting week ending 21st August 2020, the outstanding balance of the facility as at the closure of 20th August 2020 should be reported.

(viii) Column H – “Description of Goods and Services”

Description of Goods and Services should be entered as a number selected from the list of categories as per the Annexure I to this OL.

For example, for “Food & Beverage Items”, number “1” should be entered.

(ix) Column I – “Details of Other Category”

If “Other” is selected under the “Description of Goods and Services” (Column H), a brief narration should be provided under the “Details of Other Category” to elaborate the nature of the facility.

For examples, the narration could be the industry that customer operates or the nature of goods or services imported, etc.

05. User Categories in the CIMM System for Import Trade Information

The existing users in the FXR module, who have been assigned “FXR_P_ENTRY” and “FXR_P_APPROVE” will continue to retain the entering and approving roles in FXM module, respectively. Therefore, it is not mandatory for LBs to submit credentials for new users for FXM module. However, if new users are required to be created, LBs should make necessary requests to CBSL.

06. Effective Date of Submission of Import Trade Information Report (FXM) and Continuation of Uploading Daily Forex Requirement (FXR)

All LBs should submit the FXM with effect from 21st August 2020. However, the banks should also continue to upload “Daily Forex Requirement (FXR)” file onto CIMM as per the existing guidelines, until a notice is issued to terminate the same in the future.

If you need further clarifications in this regard, you may contact Mr. Jayathu Perera, Senior Assistant Director on (0112398715) or Ms. Chethana Ferdinando, Senior Assistant Director on (0112398711) or through an e mail to dfx@cbsl.lk of Domestic Forex Market Division, International Operations Department, Central Bank of Sri Lanka.

Dimuthu Samarathunga

Director

**International Operations Department
Central Bank of Sri Lanka**

Our Ref: 33/04/012/0011/002

23 September 2020

To : Chief Executive Officers of All Licensed Commercial Banks

**OPERATING INSTRUCTIONS FOR LICENSED COMMERCIAL BANKS ON
“INWARD INVESTMENTS SWAPS - IIS” SCHEME**

1. Introduction of Inward Investments SWAPs – IIS Scheme

In order to encourage fresh foreign inflows to the country, the Central Bank of Sri Lanka (CBSL) has decided to offer “USD / LKR Buy – Sell Currency SWAPs” for tenors beyond one year and up to two years to Licensed Commercial Banks (LCBs) under the scheme named “Inward Investments SWAPs (IIS)”. The objective of offering “IIS Scheme” is to facilitate LCBs to hedge the foreign exchange risk pertaining to foreign currency inflows that are channeled through the Inward Investment Account (IIA).

2. Accordingly, LCBs are hereby invited to enter into SWAP agreements with CBSL under “IIS Scheme” adhering to this Operating Instructions.

3. Key parameters of IIS Scheme are listed in Table A below.

Table A - Key Parameters of IIS Scheme	
3.1 Counterparties	CBSL Vs Individual LCBs
3.2 Eligible Investors	Non-resident investors who are eligible to operate Inward Investment Account (IIA)
3.3 Applicability	New foreign currency inflows to the country channeled through IIA with effect from 23.09.2020
3.4 Tenor of SWAP with CBSL	Beyond one year and up to two years
3.5 Minimum Deal Size	USD 25 Mn. per non-resident investor
3.6 Pricing Mechanism between CBSL and LCB	The same exchange rate for the near and the far legs of the SWAP between CBSL and LCB (i.e. zero cost SWAPs)

4. Conditions of IIS Scheme are listed in Table B below.

Table B - Conditions of IIS Scheme	
4.1 Availability	Prior to entering into a SWAP deal with a non-resident investor, the limit availability under the IIS scheme should be checked by the LCB with International Operations Department (IOD) of CBSL
4.2 Declaration of Sources of Funds	Prior to entering into the deal with CBSL, a LCB should disclose the source of funds, underlying transaction/s and the details of the respective non-resident investor, to CBSL
4.3 Maximum SWAP Premium Chargeable	A maximum of 0.10% on the investment value may be charged as a SWAP premium from a non-resident investor by the LCB
4.4 Pre-mature Unwinding of SWAPs	<ul style="list-style-type: none"> CBSL does not encourage pre-mature unwinding of SWAPs under "IIS Scheme". However, in an unavoidable circumstance, if a non-resident investor requests for a pre-mature unwinding of a IIS, in return the LCB should terminate the SWAP agreement with CBSL. In such a scenario, the "Settlement Exchange Rate" applicable for the settlement between CBSL and LCB, shall be as below; <ul style="list-style-type: none"> (i) If prevalent USD / LKR spot rate is higher than the agreed settlement rate (ie: LKR depreciated), the revised settlement rate should be the prevalent indicative USD/LKR spot exchange rate** plus the "Penalty". (ii) If prevalent USD / LKR spot rate is lower than the agreed settlement rate (ie:LKR appreciated), the revised settlement rate should be the near leg USD / LKR spot rate plus the "Penalty". "Penalty" should be 2% on agreed USD / LKR "Settlement Exchange Rate".

** Prevalent USD / LKR spot rate is the "Indicative USD/LKR Spot Exchange Rate" published by CBSL, on that particular day.

- LCBs are requested to follow the standard settlement procedure when settling the above SWAP transactions with CBSL.
- Further, LCBs are requested to comply with the applicable Directions issued by the CBSL.
- CBSL has a right to withdraw the "IIS Scheme" without any notice in advance.
- For any further information, you may contact International Operations Department on 0112398715 and 0112477084.

Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/003

23 October 2020

To : Chief Executive Officers of All Licensed Commercial Banks

**AMENDMENT TO OPERATING INSTRUCTIONS FOR LICENSED COMMERCIAL BANKS ON
“INWARD INVESTMENTS SWAPS - IIS” SCHEME**

This is with reference to the Operating Instructions 33/04/012/0011/002 for Licensed Commercial Banks on “Inward Investment SWAPS – IIS Scheme” issued on 23 September 2020.

This is to inform that the penalty applicable for pre-mature unwinding of SWAPs under IIS Scheme which was 2.00% of the agreed USD / LKR “Settlement Exchange Rate, has been reduced to 0.25% w.e.f 23 October 2020. The other parameters and conditions of previously issued Operating Instructions (33/04/012/0011/002) remain unchanged.

For any further information, you may contact International Operations Department on 0761754680, 0112398715 and 0112477084.

**Governor
Central Bank of Sri Lanka**

Our Ref: 33/04/012/0011/002

27th November 2020

To : Heads of Treasury of All Licensed Commercial Banks and National Savings Bank

**OPERATING INSTRUCTIONS TO SUBMIT DAILY FOREIGN EXCHANGE NET OPEN POSITION REPORT THROUGH THE
CENTRAL INTEGRATED MARKET MONITOR**

The Central Bank of Sri Lanka (CBSL) will introduce a new reporting interface in the Central Integrated Market Monitor (CIMM) system of the CBSL named “Add NOP” for Licensed Commercial Banks (LCB) and National Savings Bank (NSB) (hereinafter referred to as Banks) to submit daily Foreign Exchange Net Open Position (NOP) with effect from 01st December 2020. The objective of introducing this new interface is to improve the efficiency of reporting of daily NOP by Banks while facilitating effective domestic foreign exchange market monitoring mechanism of the CBSL. The new interface will replace the existing NOP submission mechanism via electronically by an e-mail to dfx@cbsl.lk in the Microsoft Excel reporting format as per the Paragraph 3.1 of the “Instructions for Preparing & Submitting the Daily Report on Foreign Exchange Net Open Position (NOP Return) of Licensed Commercial Banks” issued by the CBSL dated 30th May 2014. However, the other requirements and the reporting format issued with the above instructions dated 30th May 2014 remain unchanged.

Accordingly, all Banks are required to adhere with the following Operating Instructions (OIs) in submitting daily NOP through the CIMM to the International Operations Department (IOD) of the CBSL.

1. Daily NOP report of the previous working day should be entered to the CIMM through the “Add NOP” interface and approved before 8.30 a.m. on current working day by each bank.
2. Each Bank is required to maintain separate user roles in CIMM for entering and approving of daily NOP reports in order to ensure accuracy through adopting the four eyes concept. Creation of necessary user accounts in CIMM in order to facilitate this process is the sole responsibility of individual Banks. If new user accounts are required to create in this regard, Banks are required to inform the same to IOD to make necessary arrangements to facilitate it.
3. In case, if any Bank is required to make any amendment to the previously submitted NOP report;
 - (i) Such Bank is required to inform to the Domestic Forex Market Division of IOD via the hotlines of 0112477595 / 0761754680 and with a request including a brief explanation for the amendment through an e-mail to dfx@cbsl.lk.
 - (ii) Upon reverting the previously submitted NOP report of such Bank in CIMM by IOD, such Bank is required to re-enter and approve the accurate NOP report in the CIMM and inform IOD immediately.
4. If a Bank is unable to submit the daily NOP report through the CIMM within the stipulated time, for reasons beyond its control, such Bank is required to submit such daily NOP report electronically via an e-mail to dfx@cbsl.lk or paper return via fax (0112346282) on a temporary basis adhering to the same time frame as given above. However, such Bank is required to submit the same through the CIMM at its earliest possible time.
5. All Banks are required to ensure the accuracy and the reliability of the information reported in the NOP at all times and the sole responsibility of the information provided lies with the management of the respective Banks and the users involved.

6. The new submission mechanism of daily NOP through CIMM will be effective from 01st December 2020. However, Banks are required to continue the existing submission mechanism of daily NOP in the Excel format via e-mails to dfx@cbsl.lk for a period of one month from 01st December 2020 to 31st December 2020.

If you require further clarifications in this regard, you may contact Mrs. Chathuri Dodangoda, Senior Assistant Director on 0112398714 / 0712655620 or Mr. Isuru Nanayakkara, Assistant Director on 0112477084 / 0777418636 or through an e-mail to dfx@cbsl.lk of Domestic Forex Market Division of IOD of the CBSL.

Dimuthu Samaratunga
Director
International Operations Department
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/004

22nd December 2020

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS FOR THE INCENTIVE SCHEME ON INWARD WORKER REMITTANCES

With an objective of encouraging more workers' remittances to the country through formal fund transferring channels, the budget 2021 has proposed to pay Rs. 2 per dollar above the normal exchange rate for the foreign exchange remittances sent by foreign workers to banks in Sri Lanka (the mechanism)". It is expected that the benefit of such incentive is passed to the workers and / or their beneficiaries and not to the intermediaries which are associated in the process of channeling such worker remittances into the country.

Accordingly, all Licensed Banks (LBs) are hereby instructed to adhere to the following Operating Instructions (OIs) in operating the mechanism.

1. Scope of Application

Applicable to all LBs which are engaged in collecting and disbursing workers' remittances flowing into the country.

2. Remittances Qualifying for the Incentive

- (i) The foreign currency income earned through an employment by a Sri Lankan national who is working/has worked abroad will qualify to receive an additional LKR 2.00 per US Dollar (USD) remitted and converted to LKR w.e.f. 28.12.2020.
- (ii) Accordingly, all LBs are required to maintain comprehensive due diligence procedures and internal controls to identify qualifying remittances for the incentive.

3. Payment of the Incentive

The Table 01 below depicts possible formal channels of worker remittances and the point of paying an additional LKR 2.00 per USD (hereafter referred as "the incentive").

Table 01: Possible Formal Channels of Worker Remittances and Point of Paying the Incentive

Channel of Remittance	Point of Paying the Incentive
(a) Direct Fund Transfers to Personal Foreign Currency Accounts (PFCAs)	When the PFCA is debited for the foreign currency amount and the same is converted in to LKR If the converted LKR amount is used to transfer to an institution for the purposes such as bills, loans etc., the LB should debit the PFCA at a lesser foreign currency amount by adjusting the incentive of Rs. 2.00 per USD.
(b) Converting Foreign Currency Notes	When the foreign currency notes are converted in to LKR
(c) Intermediaries*	When the customer and / or a beneficiary is paid in LKR The incentive should be paid and recorded by the LB where the customer and / or a beneficiary receives LKR either over the counter or credit to an account

* When worker remittances are channeled through an intermediary in LKR, the LKR amounts of each customer and /or beneficiary should be converted in to USD by using the “Middle USD / LKR Exchange Rate (rounded-off to its two decimal places)” published by the Central Bank of Sri Lanka (CBSL) at the end of the previous business day and the incentive should be calculated and paid based on such converted amount (rounded-off to its two decimal places) of USD. The “Middle USD / LKR Exchange Rate” should be derived through the average of buying and selling USD / LKR exchange rates for Telegraphic Transfers (TT) published by the CBSL.

4. Payment of the Incentive on Remittances in Foreign Currencies Other than USD

LBs shall use the available indicative exchange rate published by the CBSL on previous business day to derive the USD amount for the calculation and payment of the incentive on worker remittances which are denominated in foreign currencies other than USD (rounded-off to its two decimal places). When there is no indicative exchange rate published by the CBSL, LBs shall use an appropriate reflective exchange rate.

Hence, Derived USD amount should be;

$(\text{Amount in Other Currency} \times \text{Other Currency / LKR Indicative or Reflective Exchange Rate}) \div \text{Middle USD / LKR Exchange Rate as specified in Section 3 above}$

5. Accounting and Reporting of Incentive Payments

- (i) LBs are required to maintain separate accounts in respect of the incentives paid in a distinct receivable account with all necessary documents to support the payments.
 - (ii) Within 15 days after the end of each quarter, LBs are required to submit information on incentives paid during the quarter to the International Operations Department (IOD) of the CBSL (with a copy to the Bank Supervision Department of the CBSL) as per the template provided by IOD to arrange the reimbursement of the same by the General Treasury. The template for the information to be submitted to IOD will be issued by the Director/IOD in due course.
6. For further information, you may contact IOD of the CBSL on 0112398711, 0112477595 or 0761754680.

Professor W D Lakshman
Governor
Central Bank of Sri Lanka

Ref. No.: 08/25/001/0005/001

Guidelines No.: SSSS/02/2020

09 December 2020

To: All Participants of the LankaSettle System

GUIDELINES ON RECORDING OF SECONDARY MARKET TRANSACTION DATA AND SENDING SECURITIES SETTLEMENT INSTRUCTIONS TO THE SCRIPLESS SECURITIES SETTLEMENT SYSTEM (SSSS)

1. With a view of enhancing the accuracy and reliability of the data recorded in the LankaSecure System on Government securities transactions, the Central Bank of Sri Lanka has decided to reinforce the current transaction recording requirements and improve transaction recording practices in the secondary market with reference to the Rule 2.2 and Rule 5 of Volume 3 of the LankaSettle System Rules.
2. Accordingly, all Participants are required to adhere to the;
 - a. Transaction Reference Number (TRN) format, and
 - b. Additional instructions with regard to recording of original transactions and related security movements on Repurchase transactions (Replenishments/ Substitutions/ Repo value amendments¹)

stipulated in these guidelines at the time of recording transactions in the LankaSecure System.
3. Instructions for generating the Transaction Reference Number is given in **Annexure 01**.
4. Additional Instructions are provided specifically for when recording the,

¹ (a) uplift a Repo with an additional amount during a Repo period
(b) prematurely settle a Repo, partially
subject to security holding alteration

- Sender's Message Reference
 - Trade Date (input mandatory from 01.01.2021)
 - Price (input mandatory)
 - Yield (input mandatory)
 - Quantity (Face Amount)
 - Account securities are being transferred to & from
 - Settlement Amount (input mandatory)
5. Sample message formats for MT542 and MT543 are given in **Annexure 02** with the relevant Additional Instructions on Repurchase transactions (same instructions are valid for fields of MT540 & MT541 as applicable).
 6. The Settlement Values indicated in the relevant fields of Deliver Free (MT542)/Receive Free (MT540) message types, will not be considered in the settlement process as the System will only use the Face Value to debit and credit the respective Government securities accounts of LankaSecure.
 7. In addition to the Government securities transaction messages sent through SWIFT system, item 2 above is applicable to Government securities transactions submitted through the CSS Trades, i.e. the web based application provided by Central Bank of Sri Lanka, as instructed under Rule 5.4 in Volume 3 of the LankaSettle System Rules.
 8. Further to the Rule 5.7 of Volume 3 of the LankaSettle System Rules, Participants are required to adhere to input Securities Instructions to the LankaSecure System **within 30 minutes** of agreement of trade terms with counterparties.
 9. Recording of correct data as stipulated in this guideline in the relevant message formats and within specified time frame when effecting Government securities transactions in the LankaSecure System is mandatory with effect from 01.01.2021. (All testing related to new instructions to be completed during the month of December 2020)

M Z M Aazim

D Kumaratunge

Superintendent Public Debt

Director Payments and Settlements

Annexure 01

Transaction Reference Number (TRN) Format

TRN field contains 16 digits.

New TRN format requires the first 4 digits to be allocated specifically for classifying the transaction and the remaining 12 digits can be used by the Participant for own referencing/ numbering.

For a single Trade and its relating transactions, the 'Participant Generated Reference Number' (PGRN) should be the same (if required, *last digit(s) sequencing*² may be used).

E.g. TRN for reversal of Repos which are to be input on auto reversal instructions (SWIFT field :20C::SECO//) should follow the same number format, where 2nd digit (X2 below) should be "V" to represent the reversal of a repo transaction followed by the original repo transaction reference given in PGRN.

Reserved for Transaction Classification				Participant Generated Reference Number (PGRN)											
X1	X2	X3	X4	Z	Z	Z	Z	Z	Z	Z	Z	Z	Z	Z	Z
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16

For Outright / Repurchase Transactions

	Description	Code	Code Detail
X1	Trade Classification	A / B / C	A –Proprietary transactions * (Principal function) B –Customer transactions without Liability ** (Agency function- None) C –Customer transactions with Liability *** (Agency function - Liable)

² Last digit(s) can be used for sequencing as participant's preference, but the first part of referencing should be the same to identify a trade and its relating transactions.
 E.g. : PGRN = AAABBBCCC-01, AAABBBCCC-02, etc.

X2	Type of Transaction	O / R / V / P	O – Outright R – Repo V – Reversal of Repo P – Pledges
X3	Supplementary Security Movement	L / S / N	L – Replenishment (Mark to market adjustments) S – Substitution N – None
X4	Security Movement Occurrence	1, 2,9, a, b, c, d,y, z (35 Characters)	A sequence number denoting the security movement occurrence when multiple ISINs are assigned for a single transaction (when X3 = N)
			A sequence number denoting the security movement occurrence when a transaction completes as a chain of securities movements (when X3 = N)
			The sequence number denoting the occurrence of supplement repo updates (when X3 = L or S)

- *- Proprietary transactions - Security movements effected on participant's own account for the purposes of investment, trading or funding arrangements of the participant.
- ** - Customer transactions without Liability - Security movements effected on behalf of the customers, which are not carried out for the purposes of investment, trading or funding arrangements of the participant (services provided by the Participants to the customers as an Agency function or in the capacity of Custodial role shall be covered under this category).
Participant takes **NO LIABILITY** for the settlement of the transaction, unless each counter-party meets its commitment for the transaction settlement.
- *** - Customer transactions with Liability - Security movements effected on behalf of the customers which are not carried out for the purposes of investment, trading or funding arrangements of the participant (services provided by the Participants to the customers as an Agency function or in the capacity of Custodial role shall be covered under this category).
Participant takes **LIABILITY** as the custodian for the settlement of the transaction notwithstanding any failure by either of counter-parties in meeting its commitment for the transaction settlement.

Examples of TRN

1. Repurchase transaction between two participants - with Auto reversal

:20C::SEME//

ARNO	CB1125P-REPO
------	--------------

:20C::SECO//

AVNO	CB1125P-REPO
------	--------------

2. Repurchase transaction between two customers, participant takes no liability in settlement finality- Two individual SWIFT messages for Repo Opening and Closing

Leg 1 :20C::SEME//

BRNO	CB1126C-R
------	-----------

Leg 2 :20C::SEME//

BVNO	CB1126C-R
------	-----------

3. Repurchase transaction between a participant and a customer - Securities replenishment for the 3rd instance

:20C::SEME//

ARL3	CB1127C
------	---------

4. Repurchase transaction between a participant and a customer - Securities substitution for the 11th instance

:20C::SEME//

ARSb	CB1128C-11
------	------------

5. Pledge transaction between two customers - Different ISINs are assigned for the Pledge (for 3rd ISIN)

:20C::SEME//

BPN3	CB1129PLDG
------	------------

6. Outright transaction between two customers (Customer 1 to Customer 2) – where transaction completes as a chain of securities movements and Participant takes liability for settlement finality.

a. Customer 1 to Participant 1

:20C::SEME//

CON0	CB1130-OR-CP
------	--------------

b. Participant 1 to Participant 2

:20C::SEME//

CON1	CB1130-OR-PP
------	--------------

c. Participant 2 to Customer 2

:20C::SEME// CON2 CB1130-OR-PC

Annexure 02

MT 542 SWIFT Format - Deliver Free Message

SWIFT Format	Description	Additional Instructions for ORIGINAL TRANSACTIONS	Special Instructions for Replenishment / Substitutions
:16R:GENL			
:20C::SEME//	Sender's Message Reference	Refer guidelines for Transaction Reference (Annexure 01)	
:23G:NEWM	NEW/CANC	New Instruction/ Instruction for Cancellation	
:16S:GENL			
:16R:TRADDET			
:98A::SETT//	Settlement (Value) Date	Settlement Date	
:98A::TRAD//	Trade Date <i>CSS will default to date of input, if not supplied</i>	The Date that the Counterparties enter into the agreement Or commits itself to purchase or sell an asset. (as pricing is agreed at this date, corresponding pricing details as of trade date should be recorded in the 90:A: below)	Same as the <u>Settlement Date</u> , as the security quantity/ settlement value calculations are based on same day pricing
:35B:ISIN	ISIN of Security being transferred	ISIN	
:16R:FIA			
:90A::INDC// PRCT/	Price	CLEAN price of the security Refer: Circular SSSS/02/2019 issued on 01.10.2019, Repo and Reverse Repo transactions of DDPs in Scripless Treasury Bonds and Treasury Bills issued on 20.12.2019	Same Instruction as given for the Original Transaction
:90A::EXER// YIEL/	Yield	Outright: Buy / Sell Yield to maturity Repo: Repurchase rate per annum Refer: Circular SSSS/02/2019 issued on 01.10.2019	Yield of the original transaction
:16S:FIA			
:22F::PRIR//	Priority	Queue Priority	
:16S:TRADDET			
:16R:FIAC			
:36B::SETT// FAMT//	Quantity (Face Amount)	Security Quantity in Face Value. Partial maturities or Repo value increments: Security Quantity should be a representation of the change of value of the repo, calculated based on Yield, Price and Settlement value	
:97A::SAFE//	Account, the securities are being delivered from	Delivering Securities Account, Delivering Beneficial Owner Code. Correct recording of Account and Owner Code as per the LankaSettle System Rules section 4.2 & 4.3 is required	

:16S:FIAC			
:16R:REPO			
:98A::TERM//	Date of Repurchase (for Customer Repo Instructions)	As per the LankaSettle System Rules section 5.13	
:20C::SECO//	Transaction reference to be used for the return leg (for Customer Repo Instructions)	Refer guidelines for Transaction Reference (Annexure 01)	
:16S:REPO			
:16R:SETDET			
:22F::SETR//	Trade Settlement	Follow the given coding schedule; TRAD - Inter-Participant Outright (Ordinary Transaction) OWNI - Intra-Participant Outright (Re-positioning transaction)	
:16R:SETPRTY			
:95P::REAG//	BIC of the participant receiving the securities	Receiving Participant BIC	
:97A::SAFE//	Account, the securities are being received to (for repositioning transactions)	Receiving Securities Account, Receiving Beneficial Owner Code. Correct recording of Account and Owner Code as per the LankaSettle System Rules section 4.2 & 4.3 is required	
:16S:SETPRTY			
:16R:SETPRTY			
:95P::PSET//	Place of Settlement. BIC of CSS	CBCELKLSXXX	
:16S:SETPRTY			
:16R:AMT			
:19A::SETT//	Settlement Amount	Exact value or the representing value calculated based on Yield and Face value of the particular security movement. Refer: Circular SSSS/02/2019 issued on 01.10.2019	Same Instruction as given for the Original Transaction
:16S:AMT			
:16S:SETDET			

MT 543 SWIFT Format – Deliver Vs Payment Message

SWIFT Format	Description	Additional Instructions for ORIGINAL TRANSACTIONS	Special Instructions for Repo value amendments
:16R:GENL			
:20C::SEME//	Sender's Message Reference	Refer guidelines for Transaction Reference (Annexure 01)	For Repo uplifting -Same TRN as the linked Repo For Partial maturities -Same TRN as the linked ultimate Repo reversal

:23G:NEWM	NEW/CANC	New Instruction/ Instruction for Cancellation	
:16S:GENL			
:16R:TRADDET			
:98A::SETT//	Settlement (Value) Date	Settlement Date	
:98A::TRAD//	Trade Date <i>CSS will default to date of input, if not supplied</i>	The Date that the Counterparties enter into the agreement Or commits itself to purchase or sell an asset. (as pricing is agreed at this date, corresponding pricing details as of trade date should be recorded in the 90:A: below)	Same as the <u>Settlement Date</u> , as the security quantity/ settlement value calculations are based on same day pricing
:35B:ISIN	ISIN of Security being transferred	ISIN	
:16R:FIA			
:90A::INDC// PRCT/	Price	CLEAN price of the security Refer: Circular SSSS/02/2019 issued on 01.10.2019, Repo and Rev Repo transactions of DDPs in scripless treasury bonds and bills issued on 20.12.2019	Same Instruction as given for the Original Transaction
:90A::EXER// YIEL/	Yield	Outright : Buy / Sell Yield Repo : Repo Yield (Price will not relate to yield) Refer : Circular SSSS/02/2019 issued on 01.10.2019	Yield of the original transaction
:16S:FIA			
:22F::PRIR//	Priority	Queue Priority	
:16S:TRADDET			
:16R:FIAC			
:36B::SETT// FAMT/	Quantity (Face Amount)	Security Quantity in Face Value. Partial maturities or Repo value increments: Security Quantity should be a representation of the change of value of the repo, calculated based on Yield, Price and Settlement value	
:97A::SAFE// OWN	Account securities are being transferred into	Receiving Securities Account, Receiving Beneficial Owner Code. Correct recording of Account and Owner Code as per the LankaSettle System Rules section 4.2 & 4.3 is required	
:16S:FIAC			
:16R:REPO			
:98A::TERM//	Date of Repurchase (for auto reversal Repo Instructions)	As per the LankaSettle System Rules section 5.13	
:20C::SECO//	Transaction reference to be used for the return leg (for auto reversal Repo Instructions)	Refer guidelines for Transaction Reference (Annexure 01)	

:19A::TRTE//	Repurchase amount (termination transaction amount) <i>(for auto reversal Repo Instructions)</i>	Maturity value	
:16S:REPO			
:16R:SETDET			
:22F::SETR//	Trade Settlement	Strictly follow the given coding schedule; TRAD - Outright (Ordinary Transaction) REPU - REPO Opening (Leg 1) RVPO - REPO Closing (Leg 2)	
:16R:SETPRTY			
:95P::DEAG//	BIC of the participant delivering the securities	Delivering Participant BIC	
:16S:SETPRTY			
:16R:SETPRTY			
:95P::PSET//	Place of Settlement. BIC of CSS.	CBCELKLSXXX	
:16S:SETPRTY			
:16R:AMT			
:19A::SETT//	Settlement Amount	Settlement Value	Same Instruction as given for the Original Transaction
:16S:AMT			
:16S:SETDET			

**General Direction No. 01 of 2020 – Fees Chargeable on the Transactions effected through the Common ATM Switch
Payment and Settlement Systems Act, No. 28 of 2005**

General Direction made by the Monetary Board of the Central Bank of Sri Lanka under section 44 of the Payment and Settlement Systems Act, No. 28 of 2005.

H A Karunaratne
Deputy Governor
Central Bank of Sri Lanka

Colombo
20 January 2020

**GENERAL DIRECTION ON FEES CHARGEABLE ON THE TRANSACTIONS
EFFECTED THROUGH THE COMMON ATM SWITCH**

This Direction may be cited as the General Direction No. 01 of 2020 on Fees Chargeable on the Transactions effected through the Common ATM Switch (CAS) and shall replace the General Direction No. 01 of 2014 on Fees Chargeable on the Transactions effected through the Common ATM Switch. This Direction shall apply to the members of CAS and shall come into operation with effect from 20 January 2020.

2. Every member of CAS shall adhere to the following limits in charging fees on the transactions effected through CAS using payment cards issued under any Card Scheme except the National Card Scheme.

2.1 Fees to be charged from the customer by the card issuer:

- 2.1.1 The fees to be charged by the card issuer from the customer when using another bank's ATM for withdrawal of funds shall not exceed Rs. 30.00 (including taxes) per withdrawal.
- 2.1.2 The fees to be charged by the card issuer from the customer when executing a balance inquiry from another bank's ATM shall not exceed Rs. 7.50 (including taxes).

2.2 Interchange fees to be charged from the card issuer by the financial acquirer:

- 2.2.1 The interchange fee to be charged by the financial acquirer from the card issuer for withdrawal of funds by a customer of such issuer shall not exceed Rs. 35.00 (including taxes) per withdrawal.
- 2.2.2 The interchange fee to be charged by the financial acquirer from the card issuer for a balance inquiry by a customer of such issuer shall not exceed Rs. 10.00 (including taxes).

3. Every member of CAS shall adhere to the following limits in charging fees on the transactions effected through CAS using payment cards issued under the National Card Scheme.

3.1 Fees to be charged from the customer by the card issuer:

- 3.1.1 The fees to be charged by the card issuer from the customer when using another bank's ATM for withdrawal of funds shall not exceed Rs. 15.00 (including taxes) per withdrawal.
- 3.1.2 The fees to be charged by the card issuer from the customer when executing a balance inquiry from another bank's ATM shall not exceed Rs. 7.50 (including taxes).

3.2 Interchange fees to be charged from the card issuer by the financial acquirer:

- 3.2.1 The interchange fee to be charged by the financial acquirer from the card issuer for withdrawal of funds by a customer of such issuer shall not exceed Rs. 20.00 (including taxes) per withdrawal.
- 3.2.2 The interchange fee to be charged by the financial acquirer from the card issuer for a balance inquiry by a customer of such issuer shall not exceed Rs. 10.00 (including taxes).

Ref. No.: 34/01/024/0106/07

10 March 2020

Payment and Settlement Systems Circular No. 01 of 2020

To: All Participants of the LankaSettle System

**LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE (DRS)
FROM 16-20 MARCH 2020**

This is to inform you that the Central Bank of Sri Lanka (CBSL) will conduct operations of the LankaSettle System (RTGS System and the LankaSecure System) and other related systems from its DRS from 16-20 March 2020 for the purpose of testing the business continuity arrangements.

The computers of your institution which have been connected to the CBSLNet have already been configured to access the CBSL DRS. However, you are requested to contact the Information Technology (IT) Department of CBSL and test the connectivity before 13 March 2020 to ensure the readiness. The contact details of CBSL IT officials are given below.

- Mr. V Kamalnath 011 2477126 (e-mail: kamalnath@cbsl.lk)
- Mr. Gihan Hettiarachchi 011 2477621 (e-mail: gihanh@cbsl.lk)

D Kumaratunge
Director
Payments and Settlements Department

Copies : Director/ Information Technology- Central Bank of Sri Lanka
CEO- LankaClear Pvt. Ltd.
Secretary General – Sri Lanka Banks' Association
President- Association of Primary Dealers
CEO- Lanka Financial Services Bureau Ltd.

Ref. 34/07/029/0001/002

16 March 2020

Payment and Settlement Systems Circular No. 02 of 2020

To: All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM FOR 16.03.2020

The following special Daily Operating Schedule will be followed on 16.03.2020.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0810 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0845 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS.
0920 hrs.		TBond primary auction settlement
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF
1100 hrs.	Closure of Primary Auction Settlement/ Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
	MLNS Batch from LCPL	Settlement Clearing and adjustment clearing will happen on 17.03.2020
	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1230 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1230 hrs.
1240 hrs.	SDF	Settlement of first leg of SDF
1250 hrs.	SLF	Settlement of first leg of SLF.
1250 hrs.	ILF Repayment	Repayment of ILF.
1300 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1300 hrs. to 1315 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1315 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent Public Debt

Ref. 34/07/029/0001/002

17 March 2020

Payment and Settlement Systems Circular No. 03 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The following special Daily Operating Schedule will be followed from 20.03.2020 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Primary Auction/ Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1100 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1130 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1215 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1220 hrs.	Cut-off time for standing facilities (SDF/ SLF)	SLF and SDF windows are closed for participants
	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1230 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1230 hrs.
1240 hrs.	SDF	Settlement of first leg of SDF
1250 hrs.	SLF	Settlement of first leg of SLF.
1250 hrs.	ILF Repayment	Repayment of ILF.
1300 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.

1300 hrs. to 1315 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1315 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent Public Debt

Ref. 34/07/029/0001/002

23 March 2020

Payment and Settlement Systems Circular No. 04 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM ON 24.03.2020

The following Daily Operating Schedules will be followed on 24.03.2020.

Schedule 1: For Value date 23.03.2020

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business for 23.03.2020	System opens for effecting transactions of 23.03.2020.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. (of 20.03.2020) SLIPS Cycles 1 & 2 (of 23.03.2020)
0830 hrs.	Primary Auction Settlement/ Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of Primary Auction, OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0900 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF. (1st leg conducted on 20.03.2020)
	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX) series. (for 23.03.2020)
0930 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 0930 hrs.
0940 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 0940 hrs.
0950 hrs.	SDF	Settlement of first leg of SDF
1000 hrs.	SLF	Settlement of first leg of SLF.
1010 hrs.	ILF Repayment	Repayment of ILF.
1020 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.

1020 hrs. to 1035 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1035 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Note: Forex transactions done on 20.03.2020 with the Central Bank should be settled by 0930 hrs. on 24.03.2020 with the value date 23.03.2020.

Schedule 2: For Value date 24.03.2020

TIME	EVENT	ACTIVITIES /TRANSACTIONS
1100 hrs. to 1115 hrs.	System start-up	Start-up of RTGS/SSS applications.
1115 hrs. to 1130 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
1130 hrs.	LankaSettle System opens for business for 24.03.2020	System opens for effecting transactions of 24.03.2020.
1130 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
1145 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
1150 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1 (of 23.03.2020)
1200 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycles 1 & 2 (of 24.03.2020)
1215 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycles 1 & 2 (of 24.03.2020)
1215 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycles 1 & 2 (of 24.03.2020)
1230 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF. (1st leg conducted on for the value day 23.03.2020)
1315 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing. (of 24.03.2020)
	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX) series. (for 24.03.2020)
1325 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1325 hrs.
1330 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1330 hrs.
1340 hrs.	SDF	Settlement of first leg of SDF
1345 hrs.	SLF	Settlement of first leg of SLF.
1355 hrs.	ILF Repayment	Repayment of ILF.
1405 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1405 hrs. to 1420 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1420 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent Public Debt

Ref. 34/07/029/0001/002

24 March 2020

Payment and Settlement Systems Circular No. 05 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM ON 27.03.2020

The Central Bank of Sri Lanka has decided to declare 25.03.2020 and 26.03.2020 as holidays for the LankaSettle System. Accordingly, the LankaSettle System will not be open for business on 25.03.2020 & 26.03.2020 and the next working business day will be 27.03.2020 (value date 27.03.2020)

The daily operating schedule for 27.03.2020 is as follows;

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycles 1 & 2 (of 25.03.2020) SLIPS Cycles 1 & 2 (of 26.03.2020) SLIPS Cycle 1 (of 27.03.2020)
0830 hrs.	Primary Auction Settlement, Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of Primary Auction, OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 1 (27.03.2020)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (27.03.2020)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 1 (27.03.2020)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF. (1st leg conducted on 24.03.2020)
1100 hrs.	Closure of Primary Auction Settlement	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2 (27.03.2020)
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2 (27.03.2020)
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2 (27.03.2020)
1230 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2 (of 27.03.2020)
1235 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1245 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1245 hrs.
1255 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1255 hrs.
	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, <u>except</u> for bank-to-bank (MT2XX) series.

1305 hrs.	SDF	Settlement of first leg of SDF
1315 hrs.	SLF	Settlement of first leg of SLF.
1325 hrs.	ILF Repayment	Repayment of ILF.
1335 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1335 hrs. to 1350 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1350 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent Public Debt

Ref. 34/07/029/0001/002

27 March 2020

Payment and Settlement Systems Circular No. 06 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The daily operating schedule will be followed from 30.03.2020 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO

1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1200 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1215 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1215 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1315 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1315 hrs.
1325 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1325 hrs.
	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1335 hrs.	SDF	Settlement of first leg of SDF
1345 hrs.	SLF	Settlement of first leg of SLF.
1355 hrs.	ILF Repayment	Repayment of ILF.
1405 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1405 hrs. to 1425 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1425 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent Public Debt

Ref. 34/07/029/0001/002

01 April 2020

Payment and Settlement Systems Circular No. 07 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The daily operating schedule will be followed from 02.04.2020 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF

0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1300 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1315 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1315 hrs.
1325 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1325 hrs.
1335 hrs.	SDF	Settlement of first leg of SDF
1345 hrs.	SLF	Settlement of first leg of SLF.
1355 hrs.	ILF Repayment	Repayment of ILF.
1405 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1405 hrs. to 1425 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1425 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent Public Debt

Ref. 34/07/029/0001/002

03 April 2020

Payment and Settlement Systems Circular No. 08 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The daily operating schedule will be followed from 06.04.2020 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3

1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1330 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1345 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1345 hrs.
1355 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1355 hrs.
1410 hrs.	SDF	Settlement of first leg of SDF
1420 hrs.	SLF	Settlement of first leg of SLF.
1430 hrs.	ILF Repayment	Repayment of ILF.
1440 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1440 hrs. to 1450 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1500 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent Public Debt

Ref. 34/07/029/0001/002

14 April 2020

Payment and Settlement Systems Circular No. 09 of 2020

To : All participants of LankaSettle System

AMENDMENT TO THE DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The following Daily Operating Schedule will be followed on 15.04.2020. The Operating Schedule of the LankaSettle system from 16.04.2020 will be informed on 15.04.2020.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.

0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Primary Auction Issuance (where applicable),	Issuance of Primary Auction (where applicable).
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of first leg of Long-Term Reverse Repos under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short-Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1515 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1515 hrs.
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1545 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1545 hrs.
1600 hrs.	SDF	Settlement of first leg of SDF
1615 hrs.	SLF	Settlement of first leg of SLF.
1615 hrs.	ILF Repayment	Repayment of ILF.
1630 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1630 hrs. to 1700 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1700 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent Public Debt

Ref. 34/07/029/0001/002

15 April 2020

Payment and Settlement Systems Circular No. 10 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The following daily operating schedule will be followed from 16.04.2020 until further notice

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3

1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1330 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1345 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1345 hrs.
1355 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1355 hrs.
1410 hrs.	SDF	Settlement of first leg of SDF
1420 hrs.	SLF	Settlement of first leg of SLF.
1430 hrs.	ILF Repayment	Repayment of ILF.
1440 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1440 hrs. to 1450 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1500 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent Public Debt

Ref. 34/07/029/0001/002

19 April 2020

Payment and Settlement Systems Circular No. 11 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The following daily operating schedule will be followed on 20.04.2020 and 21.04.2020

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.

0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1430 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1430 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1445 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1445 hrs.
1455 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1455 hrs.
1510 hrs.	SDF	Settlement of first leg of SDF
1520 hrs.	SLF	Settlement of first leg of SLF.
1530 hrs.	ILF Repayment	Repayment of ILF.
1540 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1540 hrs. to 1555 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1555 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent Public Debt

Payment and Settlement Systems Circular No. 12 of 2020

20 April 2020

To : Chief Executive Officers of Licensed Banks and Licensed Finance Companies

MAXIMUM LIMITS ON TRANSACTION VALUE AND FEES OF COMMON ELECTRONIC FUND TRANSFER SWITCH

This Circular is issued in terms of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005 (Act) read with Section 4 of the Act to promote and facilitate the Common Electronic Fund Transfer Switch (CEFTS) through greater customer participation.

All members of CEFTS shall adhere to the following maximum limits on transactions initiated by own customers through CEFTS.

2. Maximum Transaction Value;

2.1 The maximum value of fund transfers effected through all transaction codes of CEFTS except the following transaction codes shall not exceed Rs. 5 million per transaction.

- (a) The maximum value of a fund transfer effected to Sri Lanka Customs through the transaction code "58" shall not exceed Rs. 20 billion per transaction.
- (b) The maximum value of a fund transfer effected to Inland Revenue Department (IRD) through the transaction code "62" shall not exceed Rs. 10 billion per transaction.

3. Maximum Transaction Fee

3.1 The maximum fee charged on a transaction shall not exceed:

- (a) Rs. 50 per transaction in respect of fund transfers effected through
 - i. Internet Banking;
 - ii. Mobile Banking; and
 - iii. ATMs of respective member of CEFTS.
- (b) Rs. 100 per transaction in respect of fund transfers effected Over-the-Counter.
- (c) Rs. 100 per transaction in respect of fund transfers effected through ATMs of other members of CEFTS.

3.2 The maximum fee charged on a tax payment to IRD effected through merchant type "4106" shall not exceed Rs. 50 per transaction. A fee shall not be charged for payments to IRD effected through merchant types "4107" (Penalty Payments) and "4108" (Interest Payments).

4. This Circular shall replace the Payment and Settlement Systems Circular No. 08 of 2017 and shall come into operation with effect from 27 April 2020.

D Kumaratunge
Director/Payments and Settlements

Ref: 34/01/025/0038/002

14 May 2020

Payment and Settlement Systems Circular No. 13 of 2020

To : All CEO's of Licensed Commercial Banks incorporated in Sri Lanka and Licensed Operators of Mobile Phone Based e-Money Systems

MANDATING LICENSED COMMERCIAL BANKS INCORPORATED IN SRI LANKA AND LICENSED OPERATORS OF MOBILE PHONE BASED E-MONEY SYSTEMS TO JOIN LANKAQR

This Circular is issued in terms of Section 44 of the Payment and Settlement Systems Act, No.28 of 2005 (Act) read with Section 4 of the Act to mandate Licensed Commercial Banks incorporated in Sri Lanka and Licensed Operators of Mobile Phone based e-money Systems to join LANKAQR.

Accordingly, all Licensed Commercial Banks incorporated in Sri Lanka and Licensed Operators of Mobile Phone based E-money Systems shall join LANKAQR as Issuers and as Merchant Acquirers and obtain certification from LankaClear (Pvt) Ltd. under all 04 (four) LANKAQR code transaction types defined in the LANKAQR Operating Guideline Version 3 / January 2020, on or before 30 September 2020.

The Payments and Settlements Department and the Bank Supervision Department of the Central Bank of Sri Lanka will, as applicable, monitor the continued progress of all Licensed Commercial Banks incorporated in Sri Lanka and Licensed Operators of Mobile Phone based e-money Systems to ensure adherence to the above deadline in joining LANKAQR.

D Kumaratunge
Director/Payments and Settlements

Cc: Director, Bank Supervision Department - Central Bank of Sri Lanka

Ref. 34/07/029/0001/002

25 May 2020

Payment and Settlement Systems Circular No. 14 of 2020

To : All participants of LankaSettle System

AMENDMENT TO THE DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The following Daily Operating Schedule will be followed from 26.05.2020

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Primary Auction Issuance (where applicable)	Issuance of Primary Auction (where applicable).
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of first leg of Long-Term Reverse Repos under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short-Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.

1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to- bank (MT2XX series).
1515 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1515 hrs.
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1545 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1545 hrs.
1600 hrs.	SDF	Settlement of first leg of SDF
1615 hrs.	SLF	Settlement of first leg of SLF.
1615 hrs.	ILF Repayment	Repayment of ILF.
1630 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1630 hrs. to 1700 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1700 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent Public Debt

Guideline No. 01/2020

GUIDELINES ON MINIMUM COMPLIANCE STANDARD FOR PAYMENT RELATED MOBILE APPLICATIONS

These Guidelines are issued in terms of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005 (Act), to provide a minimum compliance standard to be adopted by any licensed commercial bank, licensed specialized bank, licensed finance company or licensed operator of a mobile phone based e-money system or any institution, all of which are operating or facilitating or providing payment services for mobile applications (hereinafter referred to as Payment Service Provider (PSP)).

These Guidelines shall cover the entire payment related mobile application eco system including but not limited to mobile applications, web services, server-side infrastructure and network communication. The Boards of Directors of PSPs shall be responsible for ensuring compliance to these Guidelines.

These Guidelines shall replace the Payment and Settlement Systems Guideline No. 01 of 2018 – Guidelines on Minimum Compliance Standard for Payment Related Mobile Applications and shall come into effect from 01.06.2020.

2 Definitions

Wherever used in these guidelines, the following terms shall have the following meanings.

Account lockout: Account lockout is a method used to prevent password guessing attacks by locking an account after a predefined number of invalid login attempts.

Authentication: Authentication is the act of verifying the identity of a user and the user's eligibility to access computerized information.

Authorization: Authorization is the security mechanism used to determine user/client privileges or access levels related to system resources.

Availability: Availability is ensuring timely and reliable access to and use of information.

Certificate Authority: A certificate authority (CA) is a trusted entity that issues digital certificates that verify a digital entity's identity on the Internet.

Licensed Financial Acquirer: Any person who makes arrangements with third parties to accept payment cards of cardholders as a means of payment and reimburses those third parties with the value of the goods or services purchased by the cardholder, and/or who reimburses such third parties for cash advances obtained by the cardholders.

Minification: Minification is the process of removing all unnecessary characters from source code without changing its functionality.

Obfuscation: Obfuscation is the deliberate act of creating obfuscated code, i.e. source or machine code that is difficult for humans to understand.

Privilege Escalation: Privilege escalation is the act of exploiting a bug, design flaw or configuration oversight in an operating system or software application to gain elevated access to resources that are normally be protected from an application or user.

Sensitive data: Sensitive data in this context includes customer credentials, bank account numbers and payment card numbers and similar data fields.

Short-lived access token: When a client passes an access token to a server managing a resource, that server can use the information contained in the token to decide whether the client is authorized or not. These tokens have a short lifetime.

Stakeholders: Stakeholders in this context includes PSPs, software vendors, service providers, benefiting merchants and auditors.

Uniform Resource Locator (URL) Manipulation: URL manipulation is the process of altering the parameters in a URL.

3 Policy Formulation

- 3.1 PSPs shall develop a policy document governing all payment related mobile applications covering business objectives, standards, compliance, guidelines, controls, responsibilities, and liabilities. PSPs shall revise this policy document annually and as and when required.
- 3.2 This policy document shall be used as a framework when developing all payment related mobile applications and shall be clearly communicated to all stakeholders.
- 3.3 Policy document shall be approved by the board of directors of the PSP.

4 Documentation

- 4.1 PSPs shall ensure that all required documentation such as architecture diagram, System Requirement Specification (SRS) document, technical documentation, change management documents, functional and non-functional testing results, security testing, and user signoffs, and other user documentation prepared and maintained by all stakeholders are in accordance with the policy document developed under Section 3 above.

5 Device Registration

- 5.1 User accounts and mobile devices shall be registered with the PSP using mobile number and a unique device identifier pertaining to the device.
- 5.2 Devices with or without a mobile number may be allowed to register as secondary devices and these devices shall be authenticated by the primary device or by a call centre person or by a different verification method for which prior approval from the Central Bank of Sri Lanka (CBSL) shall be obtained.
- 5.3 Each payment related mobile application user account shall be allowed to be used only on mobile devices which are registered with the PSP.
- 5.4 A login authentication and a financial value-based transaction authentication shall be in place for each payment related mobile application user account.
- 5.5 Concurrent use of the same account shall not be allowed from multiple devices.

6 Authentication and Password Policy

Following minimum controls and password policies shall be implemented for authentication at the server-end.

- 6.1 Authentication shall be processed only at the backend except for authentication methods based on biometrics or chip-based authentication.

- 6.2 Short-lived access tokens shall be implemented to authenticate client requests without transmitting user credentials.
- 6.3 A suitable password policy shall be implemented in line with the policy document of the PSP.
- 6.4 Multi Factor Authentication (MFA) shall be implemented with mobile number, device identifier, Password/PIN and identifier specific to the payment related mobile application. Another device identifier shall be used in the place of mobile number in the case of secondary devices without mobile numbers.
- 6.5 A configurable account lockout function shall be implemented after multiple invalid login attempts. Unlocking of such accounts shall follow standard security procedure of the PSP.
- 6.6 Authentication attempts shall be logged and monitored to detect login anomalies and possible attacks in real-time. All transactions shall also be monitored for anomalies. Both types of anomalies shall be notified to the user.
- 6.7 Access to any internal resource shall be properly authenticated.

7 Authorization

Following minimum controls shall be implemented on authorisation.

- 7.1 Principle of Least Privilege (PoLP) shall always be followed.
- 7.2 Privilege escalation controls and URL manipulation controls shall be implemented.

8 Session Handling

Following minimum controls shall be implemented on session handling.

- 8.1 Session ID shall be randomized.
- 8.2 Payment related mobile application shall have automatic user log off functionality after an idle time period.
- 8.3 An easy to use and clearly visible log off method shall be implemented.
- 8.4 During the log off, all application specific sensitive data stored in all temporary and permanent memories of the mobile device shall be erased or marked expired.
- 8.5 A procedure shall be implemented at the server-side to detect and communicate simultaneous login attempts to the user.
- 8.6 A procedure shall be implemented to centrally disable the access to the payment related mobile application server from a device reported lost or stolen.

9 Entering and Storing Data

- 9.1 Payment Card data capturing/storing shall take place only in a Licensed Financial Acquirer's domain or in a mobile application where the mobile application ecosystem is PA-DSS (Payment Application Data Security Standard) and PCI-DSS (Payment Card Industry Data Security Standard) certified.
- 9.2 Payment related sensitive data except payment card data shall only be captured/stored in an ecosystem approved and regulated by CBSL.
- 9.3 Sensitive information such as account numbers and customer credentials in temporary storages (E.g. Random Access Memory (RAM), temp files, cache) of the device shall be secured appropriately.
- 9.4 Sensitive information shall not be stored in the mobile device/s subject to 8.4.
- 9.5 Data shall be validated and sanitized before being recorded in the databases. Payment related mobile application databases shall be hardened for server-side and client-side.

10 Offline Transactions

- 10.1 Payment related mobile applications shall not allow offline authorization of transactions and storing transaction data on the device for later transmission unless permitted by CBSL.

11 Cryptography

The following properties shall be used when designing and using cryptographic algorithms in payment related mobile applications.

- 11.1 Payment related mobile application shall use cryptographic algorithms and iteration counts that are currently not identified as vulnerable, industry-tested and accepted by institutions including but not limited to Federal Financial Institutions Examination Council (FFIEC), American National Standards Institute (ANSI) and National Institute of Standards and Technology (NIST).
- 11.2 Sensitive data shall be encrypted while in transit and at rest. Payment related mobile application shall use a Salt when generating hashes from passwords.
- 11.3 Encryption keys shall not be stored in the mobile device without appropriate security controls.

12 Transport Layer Protection

- 12.1 Transport layer encryption shall be implemented for all communications.
- 12.2 Payment related mobile application shall use valid SSL certificates issued by a trusted certificate authority.
- 12.3 Certificate pinning shall be properly implemented and used with proper exception handling.
- 12.4 Controls to mitigate bypassing of certificate pinning shall be implemented.
- 12.5 Payment related mobile application shall cease operations until SSL certification errors are properly addressed and certification errors shall not be ignored.
- 12.6 Sensitive data shall be transmitted only through letters, in-app notifications, or email. Only One Time Password (OTP) shall be transmitted using alternate channels such as USSD, SMS, MMS, or other notification channels.

13 Reverse Engineering and Debugging

- 13.1 Payment related mobile application shall not allow any third-party to debug the application during runtime.
- 13.2 Minification and source code obfuscation techniques shall be used in the payment related mobile application.

14 Tampering Detection

- 14.1 The following checks shall be implemented in the server-side to verify the integrity and to detect any manipulation of the client application. These checks can be executed at the start of the payment related mobile application or as appropriate. If any of these checks fail, payment related mobile application shall be disabled.
 - 14.1.1 Hash values/checksums of code blocks, classes, or the whole program.
 - 14.1.2 Validate the size of certain system files or the file modification timestamps.
 - 14.1.3 Verify the signature of the package file at the run time.
- 14.2 Payment related mobile applications shall not be allowed to be executed on rooted/jail broken devices.
- 14.3 Debugger detection and emulator detection shall be implemented, and payment related mobile application shall not be allowed to run inside a debugger/emulator.

15 Payment related Mobile Application Permissions

- 15.1 Payment related mobile application shall acquire only minimum Operating System (OS) permissions required for the application to function properly.

16 Secure Coding

- PSPs shall ensure that the following practices are adopted.
- 16.1 Developers shall adhere to secure coding practices and standards, that are inherent to the coding language used.
 - 16.2 Payment related mobile application shall not use vulnerable/deprecated components, protocols, libraries, scripts etc.
 - 16.3 Implementations of components/protocols/libraries/scripts shall not lead to any vulnerability.
 - 16.4 Payment related mobile application shall be properly patched if any vulnerability is identified.
 - 16.5 Sensitive information such as configuration details shall not be hardcoded in the source code.

17 Input and Output Handling

- 17.1 All input and output data shall be properly sanitized and validated at the server and at the client.
- 17.2 Auto complete feature shall be disabled for password/PIN.

18 Error and Exception Handling

- 18.1 Proper error and exception handling shall be implemented throughout the application.
- 18.2 Sensitive information and/or hints shall not be disclosed in error/warning messages and notifications.
- 18.3 Payment related mobile application errors shall be logged in the server.

19 Server-side Infrastructure

- 19.1 Servers and web services with which the payment related mobile application communicates shall be properly hardened.
- 19.2 Server access controls and audit logs shall be maintained at the server level.
- 19.3 Ports and services which are not used by the payment related mobile application shall be disabled.

20 Logs and Data Leakage

Detailed transaction logs shall be maintained in accordance with the following.

- 20.1 The logs shall be stored in a log server which is segregated from the application/database servers and protected with appropriate access controls.
- 20.2 The payment related mobile application crash logs shall not be permanently stored in the mobile device and shall be flushed during log in and/or log out processes.
- 20.3 The payment related mobile application logs shall not contain any sensitive data.
- 20.4 Security safeguards shall be implemented to protect the logs from unauthorized modification or destruction and only authorized officers shall be provided with access to the logs.
- 20.5 All related server and ecosystem logs shall be available for audits.
- 20.6 Logs shall be retained for a certain time period in accordance with the prevailing legal requirements. Adequate measures shall be implemented for the protection of transaction details against any loss or damage.

21 Code Signing of Payment Related Mobile Application

- 21.1 PSP shall ensure that code signing is used for the payment related mobile application to confirm the software author and guarantee that the code has not been altered or corrupted since it was signed.
- 21.2 The private key used for code signing shall be generated, securely stored, and backed up by the PSP and/or mobile application owner.
- 21.3 Signing certificate shall be prepared with a strong private key.

22 Hosting

- 22.1 The payment related mobile application shall be hosted only at the relevant platform and/or store (Google Play Store, Apple App Store, Microsoft Store, Galaxy Store, etc.) and shall not be hosted for downloading at PSP website, the vendor website or any other third party website.
- 22.2 PSPs shall ensure that all current/potential users are informed by the payment related mobile application owner that the payment related mobile application is only hosted at relevant platform and/or store.

23 Business Continuity Planning

- 23.1 If third-party vendor/software is used for development, the PSP/mobile application owner shall ensure business continuity through, an escrow arrangement for all versions of the source code or relevant agreements with stakeholders.
- 23.2 PSPs shall have proper business continuity planning and disaster recovery arrangements to ensure business continuity and agreements with relevant parties for this purpose.
- 23.3 PSPs shall maintain Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) for all its payment related mobile application and these mobile applications shall be tested/operated during BCP drills.

24 Change Management

- 24.1 Details of the system including the Software Development Life Cycle (SDLC) shall be documented properly with change management.
- 24.2 Payment related mobile application version controlling shall be maintained and documented.
- 24.3 Change Requests/Change Management procedures shall be followed for all changes in the payment related mobile application.

25 Compliance

- 25.1 Each PSP shall submit a Compliance Report with the approval of the Board of Directors of PSP to Director, Payments and Settlements Department, CBSL certifying compliance to the Guidelines for each payment related mobile application for which payment services are provided by the PSP prior to the commercial launch of the mobile application. In case of foreign banks, the Head of the Office supervising operations in Sri Lanka shall act in place of the Board of Directors.
- 25.2 In order to ensure compliance, an information system audit and information security audit for the entire payment related mobile application eco-system including web services, server-side infrastructure and network communication shall be conducted. It is strongly recommended to carry out the audit by an independent third-party auditor, who possesses an adequate capacity for auditing information systems. This audit shall be conducted prior to the commercial launch of the mobile application and thereafter, may be conducted as and when decided by the Board of Directors of the PSP.
- 25.3 The scope for audit shall include, but not be limited to, static and dynamic security analysis, source code review for secure controls, backdoors, hardcoded sensitive information, contradictory code etc., production and testing environment reviews and vulnerability assessments and penetration testing reviews.
- 25.4 Each PSP shall submit a report for the preceding year before 31st January of each year, on payment related mobile applications for which the PSP has provided payment services. This report shall be certified by the board of directors of PSP and shall cover any new versions, patches or updates. In case of foreign banks, the Head of the Office supervising operations in Sri Lanka shall act in place of the Board of Directors.

26 User Awareness

- 26.1 PSPs shall provide usage and awareness materials for users of payment related mobile applications which may include videos and operational procedural diagrams.

Deputy Governor

Ref. 34/07/029/0001/002

02 June 2020

Payment and Settlement Systems Circular No. 15 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM FOR 04.06.2020

The following special Daily Operating Schedule will be followed on 04.06.2020

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Primary Auction Issuance/ Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction/ Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.

1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement/ Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1115 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1130 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1130 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1200 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1200 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1205 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1205 hrs.
1205 hrs.	Cut-off time for standing facilities	SDF and SLF windows are closed for Participants at 1205 hrs.
1220 hrs.	SDF	Settlement of first leg of SDF
1225 hrs.	SLF	Settlement of first leg of SLF.
1230 hrs.	ILF Repayment	Repayment of ILF.
1240 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1240 hrs. to 1255 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1255 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

Cycles 3 and 4 of CEFTS, CAS and CPS (of 04.06.2020), will be settled at 0830 hrs on the next business day (08.06.2020)

SLIPS Cycle 3 of 04.06.2020 will be cancelled.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent Public Debt

Payment and Settlement Systems Circular No. 16 of 2020

08 June 2020

To : Chief Executive Officers of Licensed Banks and Licensed Finance Companies

MAXIMUM LIMITS ON TRANSACTION VALUE AND FEES OF COMMON ELECTRONIC FUND TRANSFER SWITCH

This Circular is issued in terms of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005 (Act) read with Section 4 of the Act to promote and facilitate the Common Electronic Fund Transfer Switch (CEFTS) through greater customer participation.

All members of CEFTS shall adhere to the following maximum limits on transactions initiated by own customers through CEFTS.

2. Maximum Transaction Value

2.1 The maximum value of fund transfers effected through CEFTS shall not exceed Rs. 5 million per transaction except the following CEFTS transactions effected through the LankaPay Online Payment Platform (LPOPP), which facilitates online payments to government and other institutions;

- The maximum value of a fund transfer effected to Sri Lanka Customs through the transaction code "58" shall not exceed Rs. 20 billion per transaction.
- The maximum value of a fund transfer effected to Inland Revenue Department (IRD) through the transaction code "62" shall not exceed Rs. 10 billion per transaction.

- (c) The maximum value of a fund transfer effected through the transaction codes assigned to institutions integrating with LPOPP other than the transaction codes given in (a) and (b) above, shall not exceed Rs. 250 million per transaction. The LankaClear (Pvt) Ltd (LCPL) shall notify the transaction codes assigned to each institution separately. Further, LCPL shall set maximum transaction values as requested by each institution in the CEFTS system subject to adhering to maximum per transaction value limit of Rs. 250 million, with the approval of the Central Bank of Sri Lanka.
3. Maximum Transaction Fee
- 3.1 The **maximum fee** charged on a transaction shall not exceed:
- (a) Rs. 50 per transaction in respect of fund transfers effected through
- Internet Banking;
 - Mobile Banking; and
 - ATMs of respective member of CEFTS.
- (b) Rs. 100 per transaction in respect of fund transfers effected Over-the-Counter.
- (c) Rs. 100 per transaction in respect of fund transfers effected through ATMs of other members of CEFTS.
- 3.2 The maximum fee charged on a tax payment to IRD effected through merchant type "4106" shall not exceed Rs. 50.00 per transaction. A fee shall not be charged for payments to IRD effected through merchant types "4107" (Penalty Payments) and "4108" (Interest Payments).
4. This Circular shall replace the Payment and Settlement Systems Circular No. 12 of 2020 and shall come into operation with effect from 15 June 2020.

D Kumaratunge
Director/Payments and Settlements

Ref. 34/07/029/0001/002

29 June 2020

Payment and Settlement Systems Circular No. 17 of 2020

To : All participants of LankaSettle System

AMENDMENT TO THE DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The following Daily Operating Schedule will be followed from 06.07.2020.

The Cut-off time for Standing Facilities have been changed to 1530 hrs.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Primary Auction Issuance (where applicable)	Issuance of Primary Auction (where applicable).

0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of first leg of Long-Term Reverse Repos under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short-Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to- bank (MT2XX series).
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1530 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1530 hrs.
1600 hrs.	SDF	Settlement of first leg of SDF
1615 hrs.	SLF	Settlement of first leg of SLF.
1615 hrs.	ILF Repayment	Repayment of ILF.
1630 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1630 hrs. to 1700 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database billing/statement maintenance for billing/statement maintenance for printing purposes.
1700 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent Public Debt

Ref. 34/07/029/0001/002

28 July 2020

Payment and Settlement Systems Circular No. 17 of 2020

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM FOR 05.08.2020

The following special Daily Operating Schedule will be followed on 05.08.2020 due to the General Election - 2020

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Primary Auction Issuance/ Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction/ Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
0930 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
0930 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1030 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1045 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1100 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1100 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1130 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1130 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1135 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1135 hrs.
1135 hrs.	Cut-off time for standing facilities	SDF and SLF windows are closed for Participants at 1135 hrs.
1150 hrs.	SDF	Settlement of first leg of SDF
1155 hrs.	SLF	Settlement of first leg of SLF.
1200 hrs.	ILF Repayment	Repayment of ILF.

1210 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1210 hrs. to 1225 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1225 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

Cycles 3 and 4 of CEFTS, CAS and CPS (of 05.08.2020), will be settled at 0830 hrs. on the next business day (06.08.2020)

SLIPS Cycle 3 of 05.08.2020 will be cancelled.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent Public Debt

Payment and Settlement Systems Circular No 18 of 2020

17 September 2020

To : CEOs/ Heads of LankaSettle system Participating Institutions,

Dear Sir/ Madam,

REVISION OF TRANSACTION FEES OF LANKASETTLE SYSTEM AND EXTENSION OF CUT-OFF TIME FOR ACCEPTING CUSTOMER TRANSACTIONS

We wish to inform that the Monetary Board of the Central Bank of Sri Lanka (CBSL) has approved revision of transaction fees of LankaSettle system as follows.

- The Operator charge levied by CBSL on Participating Institution (PI) of LankaSettle system to be reduced from LKR 450/- to LKR 200/-
- The maximum fee of LKR 1,000/- per transaction, charged by PIs from customers for effecting fund transfers through the LankaSettle system to be reduced to LKR 400/-

Accordingly, the above revision of fees will come in to effect from 01 October 2020 replacing Payment and Settlement Systems Circular 03 of 2015.

Furthermore, the Attachment B of LankaSettle System Rules version 2.1 will be amended as per the Annex 1.

Additionally, we hereby instruct you to extend the cut-off time for accepting customer transactions until 1230 hrs. on every LankaSettle system business day (except days with a shortened business day) with effect from 01 October 2020.

Yours faithfully,
D Kumaratunge
Director/Payments and Settlements

CC: Superintendent of Public Debt- CBSL
Director/ Domestic Operations-CBSL

Annex I

ATTACHMENT B

SCHEDULE OF THE LANKASETTLE SYSTEM FEES AND CHARGES

CBSL charges all LankaSettle Participants an all-inclusive per transaction fee of LKR 200/- with effect from 1st October 2020.

For the purposes of fees and charges a "transaction" is defined as:

- (1) Any settled debits to their own Settlement accounts initiated by Participants within the LankaSettle System through the use of the following messages:

- a. MT 102 – Multiple Customer Credit Transfer
- b. MT 103 – Single Customer Credit Transfer
- c. MT 202 – General Financial Institution Transfer
- d. MT 205 – Financial Institution Transfer Execution
- e. MT 541 – Receive Against Payment

(2) Any settled securities transactions initiated by participants within the LankaSettle System through the use of MT 540 – Receive Free message.

In addition to the transaction fees stated above, the participants have to bear SWIFT messaging related charges. These are independently billed by SWIFT and have to be paid by the participants to SWIFT directly.

Ref: 34/01/025/0038/001

27 November 2020

To : Chief Executive Officers of All Licensed Banks, Licensed Finance Companies and Licensed Operators of Mobile Phone Based e-Money Systems

CIRCULAR NO. 02 OF 2019 ESTABLISHMENT OF A NATIONAL QUICK RESPONSE CODE STANDARD FOR LOCAL PAYMENTS – ADDENDUM 2

Reference is made to Circular No. 02 of 2019 – Establishment of a National Quick Response Code Standard for Local Payments issued on 11.03.2019 and its Addendum 1 issued on 30.10.2019. This document shall be read together with the above Circular and Addendum.

The following shall come into effect from 01 January 2021 with regards to LANKAQR initiated transactions:

1. A maximum convenience fee of Rs.10.00 may only be levied on the customer for payments made to Government entities in circumstances where Government entities are not permitted to pay MDR (Merchant Discount Rate), or any such equivalent fees or charges to the Merchant Acquirer.
2. The convenience fee shall be divided amongst the relevant stakeholders as follows:

Table 1: Distribution of Rs.10.00 convenience fee for transactions made to a government entity (in LKR)

LankaClear (Pvt) Ltd (LCPL) Fee	Issuer Fee	Transaction Acquirer Fee	Merchant Acquirer Fee
0.01	2.50	3.50	3.99

The Issuers shall be allowed to decide whether to levy the entire convenience fee (Rs. 10.00) on to the customer or to bear the convenience fee themselves, fully or partially. However, the allocations given above in Table 1 for LCPL, Transaction Acquirer and Merchant Acquirer shall not be changed.

The Transaction Acquirer Fee and Merchant Acquirer Fee shall be distributed by LCPL, in accordance with the allocations provided in above Table 1. The LCPL Fee payment by the Issuer will be added to the existing LankaPay – CEFTS monthly invoice.

3. For donations made to religious establishments, MDR and customer convenience fee shall not be applicable. However, religious establishments that engage in the sale of merchandise shall be issued a separate LANKAQR code which is subject to MDR.
4. The reduction of MDR charges from 1% to 0.5% of the transaction amount, for the period beginning 01.01.2020 and ending 31.12.2020, shall be extended further for a period of six months for LANKAQR initiated transactions. Accordingly, the maximum MDR charges shall remain at 0.5% for the period beginning 01.01.2021 and ending in 30.06.2021.

D Kumaratunge
Director/Payments and Settlements

Payment and Settlement Systems Circular No. 19 of 2020

27 November 2020

To : All Primary Members of Common ATM Switch and Common Electronic Fund Transfer Switch and LankaClear (Pvt) Ltd

LIABILITY MANAGER (LM) LIMITS IN LANKAPAY COMMON ATM SWITCH (CAS) AND LANKAPAY COMMON ELECTRONIC FUND TRANSFER SWITCH (CEFTS)

Having reviewed the LM limits given in the Payment and Settlement Systems Circular No. 07 of 2018 issued on 23 October 2018, the Central Bank of Sri Lanka (CBSL) has decided to maintain the LM limits defined for CAS as per the said Circular and to revise the LM limits for CEFTS to facilitate effective payment and settlement services to the customers. Amended categorization of Primary Members of CAS and CEFTS for the purpose of defining LM limits is given in Annex I.

2. Minimum LM limits applicable for CAS and CEFTS shall be as follows;

i. Minimum LM Limits for CAS

	Category A	Category B	Category C
Category A	Rs. 200 Mn	Rs. 150 Mn	Rs. 100 Mn
Category B	Rs. 150 Mn	Rs. 150 Mn	Rs. 100 Mn
Category C	Rs. 100 Mn	Rs. 100 Mn	Rs. 100 Mn

ii. Minimum LM Limits for CEFTS

	Category A	Category B	Category C
Category A	Rs. 500 Mn	Rs. 350 Mn	Rs.250 Mn
Category B	Rs. 350 Mn	Rs. 350 Mn	Rs.250 Mn
Category C	Rs. 250 Mn	Rs. 250 Mn	Rs.250 Mn

- Primary Members may allow LM limits higher than the minimum limits defined by CBSL, through mutual arrangements to any Primary Member in any category.
- LankaClear (Pvt) Ltd. shall implement and maintain the minimum LM limits defined by CBSL in CAS and CEFTS systems and accommodate requests made by Primary Members to set LM limits higher than the minimum LM limits defined by CBSL.
- Minimum LM limits assigned for any or all category/ies and categorization of Primary Members would be periodically reviewed by CBSL and revised, if necessary.
- Primary Members were categorized in this manner for the sole purpose of defining minimum LM limits and shall not be used for any other purpose.
- This Circular shall replace the Payment and Settlement Systems Circular No. 07 of 2018 and shall be effective from 01 December 2020.

D Kumaratunge
Director/Payments and Settlements

Annex I

Primary Members of Common ATM Switch and/or Common Electronic Fund Transfer Switch

- Category A**

Bank of Ceylon
People's Bank
Commercial Bank of Ceylon PLC
Sampath Bank PLC
Hatton National Bank PLC
Seylan Bank PLC

National Development Bank PLC

- **Category B**

DFCC Bank PLC
Nations Trust Bank PLC
The Hongkong & Shanghai Banking Corporation Ltd
Pan Asia Banking Corporation PLC
Standard Chartered Bank
Amana Bank
Union Bank of Colombo PLC
Cargills Bank Ltd

- **Category C**

Deutsche Bank AG
Citibank N A
MCB Bank Ltd
State Bank of India
Habib Bank Ltd
Public Bank Berhard
Indian Bank
Bank of China Ltd
Indian Overseas Bank

This categorization is for the sole purpose of imposing the multi-tiered LM limit structure and shall not be used for any other purpose.

Payment and Settlement Systems Circular No. 20 of 2020

11 December 2020

To: Chief Executive Officers of Licensed Banks and Licensed Finance Companies

MAXIMUM LIMITS ON TRANSACTION VALUE AND FEES OF COMMON ELECTRONIC FUND TRANSFER SWITCH

This Circular is issued in terms of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005 (Act) read with Section 4 of the Act to promote and facilitate the Common Electronic Fund Transfer Switch (CEFTS) through greater customer participation.

All members of CEFTS shall adhere to the following maximum limits on transactions initiated by own customers through CEFTS.

2. Maximum Transaction Value

2.1 The maximum value of fund transfers effected through CEFTS shall not exceed Rs. 5 million per transaction except the following CEFTS transactions effected through the LankaPay Online Payment Platform (LPOPP), which facilitates online payments to government and other institutions;

- (a) The maximum value of a fund transfer effected to Sri Lanka Customs through the transaction code "58" shall not exceed Rs. 20 billion per transaction.
- (b) The maximum value of a fund transfer effected to Inland Revenue Department (IRD) through the transaction code "62" shall not exceed Rs. 10 billion per transaction.
- (c) The maximum value of a fund transfer effected through the transaction codes assigned to institutions integrating with LPOPP other than the transaction codes given in (a) and (b) above, shall not exceed Rs. 250 million per transaction. The LankaClear (Pvt) Ltd (LCPL) shall notify the transaction codes assigned to each institution separately. Further, LCPL

shall set maximum transaction values as requested by each institution in the CEFTS system subject to adhering to maximum per transaction value limit of Rs. 250 million, with the approval of the Central Bank of Sri Lanka.

3. Maximum Transaction Fee

3.1 The maximum fee charged on a transaction, except for a transaction effected through LPOPP, shall not exceed:

- (a) Rs. 30 per transaction in respect of fund transfers effected through
 - i. Internet Banking;
 - ii. Mobile Banking; and
 - iii. ATMs of respective member of CEFTS.
- (b) Rs. 100 per transaction in respect of fund transfers effected Over-the-Counter.
- (c) Rs. 100 per transaction in respect of fund transfers effected through ATMs of other members of CEFTS.

3.2 The maximum fee charged on a transaction effected through LPOPP shall not exceed Rs. 50 per transaction.

3.3 The maximum fee charged on a tax payment to IRD effected through merchant type "4106" shall not exceed Rs. 50.00 per transaction. A fee shall not be charged for payments to IRD effected through merchant types "4107" (Penalty Payments) and "4108" (Interest Payments).

4. This Circular shall replace the Payment and Settlement Systems Circular No. 16 of 2020 and shall come into operation with effect from 01 January 2021.

D Kumaratunge

Director/Payments and Settlements

Operating Instructions No: RDD/SEPI/2016/01 (A-03)

Regional Development Department
Central Bank of Sri Lanka
P.O. Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
27.01.2020

To: CEO/GMs of All PFIs

Dear Sir/Madam

AMENDMENT TO THE OPERATING INSTRUCTIONS OF SELF-EMPLOYMENT PROMOTION INITIATIVE LOAN SCHEME PHASE II (SEPI - PHASE II)

All Participating Financial Institutions of the SEPI Phase II Loan Scheme are hereby informed that the Operating Instructions No. RDD/SEPI/2016/01 and the amended dated 01.03.2017 have been further amended as in Annex I (Table 01-Column 05).

All other terms and conditions of the Loan Scheme will remain unchanged.

The effective date for the amended Operating Instructions is 27.01.2020.

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

Yours faithfully

M S K Dharmawardhane

Director/Regional Development

Copy: Head of Refinance Department

Annex I

Section & Feature	Original Operating Instructions dated – April 2016	1st Amendment dated 06th June 2016	2nd Amendment dated 01st March 2017	3rd Amendment with effect from 27th January 2020
Section 1 under the Introduction - Loan Amount	Rupees Seventy five Million (Rs.75,000,000)	-	"Rupees Seventy five Million (Rs.75,000,000)" is hereby repealed and substituted by "Rupees Three Hundred and Ninety Million (Rs.390,000,000)"	"Rupees Three Hundred and Ninety Million (Rs.390,000,000)" is hereby repealed and substituted by "Rupees Nine Hundred and Fifty Million (Rs.950,000,000)"
Section 6 under Eligible sub-borrowers for grant of loans by PFIs: paragraph 1, first sentence	"or any Vocational Training Course"	-	"or any Vocational Training Course" are hereby repealed. Accordingly, the sentence is read as follows; "Eligible sub-borrowers for grant of loans by PFIs should have completed a National Vocational Qualification Programme and an Entrepreneurship Skills Development Programme under a recognized vocational training institute registered under MSDVT"	As per the 2nd amendment
Section 10 under Loan Conditions: Repayment period for PFIs	Maximum of four (4) years	Maximum of 4 years inclusive of grace period (maximum of 6 months) depending on the requirements of the project (Interest will be charged during the grace period)	"Maximum of four (4) years" are hereby repealed and substituted by "Maximum of five (5) years"	As per the 2nd amendment
Section 10 under Loan Conditions: Loans limit to sub-borrowers	Rupees Five Hundred Thousand (Rs.500,000)	-	-	"Maximum of Rupees Five Hundred Thousand (Rs.500,000)" is hereby repealed and substituted by "Maximum of Rupees One Million (Rs.1,000,000)"
Section 15 Disbursement of refinance : 15.1 Inquiry number	Annex II	Annex II is replaced with the new Annex II	-	As per the 1st amendment

Operating Instructions No: RDD/ CSS/ WCL/ CG /2020/01

Regional Development Department
 Central Bank of Sri Lanka
 P O Box 590
 No. 30, Janadhipathi Mawatha
 Colombo 01.
 25.02.2020

To: All Licensed Banks

CREDIT GUARANTEE SCHEME FOR WORKING CAPITAL LOANS TO BE GRANTED TO THE SMALL AND MEDIUM SCALE ENTREPRENEURS

1. Introduction

- 1.1 The Credit Guarantee Scheme (hereinafter referred to as “the Scheme”) for the Working Capital Loans (WCLs) to be granted to the Small & Medium Enterprise (SME) borrowers (hereinafter referred to as “Borrowers”) whose previous loans are currently in the Non-performing loan (NPL) category, is introduced by the Ministry of Finance, Economic and Policy Development (MFEPD) in collaboration with the Central Bank of Sri Lanka (CBSL) for the purpose of accelerating economic growth in the country.
- 1.2 In order to invigorate the affected business activities in the SME sector, this scheme is introduced by the CBSL on behalf of the Government of Sri Lanka (GOSL) to provide government guarantee to the Licensed Banks (LBs) that grant new WCLs to their defaulted Borrowers.
- 1.3 The Scheme is a complementary support to the fiscal incentives already announced by the GOSL to revive the affected SME sector within a shorter period as per the Circular No. 02 of 2020, dated 30.01.2020 on “Credit Support to Accelerate Economic Growth” issued by the Director, Bank Supervision (DBS) of the CBSL (hereinafter referred to as “the Circular”).
- 1.4 The CBSL, on behalf of the GOSL, provides LBs a credit guarantee cover up to seventy five percent (75%) for the new WCLs, to be granted during 2020 for their existing Borrowers who are currently in NPL category. The credit risk of the balance twenty five percent (25%) of the WCL is borne by the LBs.

2. Implementation of the Scheme

- 2.1 The Scheme is implemented by the CBSL (hereinafter referred to as “the Administrator”) in association with the MFEPD (hereinafter referred to as “the Ministry”) and with the participation of the LBs.

3. The Objectives of the Scheme

The objectives of the Scheme are as follows;

- 3.1 contribute to the fiscal incentives announced by the GOSL to accelerate economic growth of the country.
- 3.2 support SMEs who have experienced difficulties in servicing their debts due to adverse economic conditions beyond their control.
- 3.3 increase the contribution of SMEs to the national economy by developing prospective SMEs.
- 3.4 support LBs to manage credit risk.

4. Terms and Conditions

4.1. General requirements

- 4.1.1 The LBs that grant new WCLs to the Borrowers, in terms of Sections 1 (i), 1 (ii) 1(iii) and subject to Section 3 of the Circular, are eligible for the credit guarantee facility under the Scheme.
- 4.1.2 Upon a written request made by the Borrower on or before 10.02.2020, LBs shall grant WCLs to the eligible borrowers subject to the Section 4.2.2. of the Operating Instructions (OIs) hereof and request the Administrator to issue credit guarantee facility for such WCLs under the Scheme. LBs shall operationalise the Scheme on or before 31.03.2020.
- 4.1.3 Borrowers who fail to service the interest due on existing credit facilities in timely manner are not entitled to enjoy the benefits of the Scheme.
- 4.1.4 LBs are not permitted to settle the previous loans in NPL category against the WCL granted to such Borrowers.

4.2 Eligibility Criteria

- 4.2.1 SME loans which are in the NPL category as at 31.12.2019 including those who were given notice of recovery action under the provisions of the Recovery of Loans by LBs (Special Provisions) Act, No. 4 of 1990 are eligible to avail of the concessions set out below upon a written request from such borrowers.
- 4.2.2 LBs may grant a new WCL subject to credit evaluation for Borrowers who are currently in the NPL category to revive respective businesses, as follows;
 - 4.2.2.1 Under the Scheme, LBs can consider granting a WCL amounting to a maximum of three (03) months working capital requirement of the Borrower with a maximum tenure of six (06) months.
 - 4.2.2.2 Three (03) months grace period could be granted for the repayment of capital of the loan based on the requirements. However, the interest is required to be serviced in a timely manner.
 - 4.2.2.3 Interest rate for the WCL shall not be more than 2% plus the prevailing Standing Lending Facility Rate.

5. Eligible Financial Institutions

The Scheme is implemented through all LBs in the country.

6. Application for Credit Guarantee

- 6.1 Applications for registration of loans under the Scheme shall be made on a separate form - RDD/ CSS/ WCL/ CG/ I – (Annex I).
- 6.2 Duly completed applications for credit guarantee shall be submitted to the Regional Development Department (RDD) of the CBSL by 20.03.2020 to obtain the approval for the Borrower and to register the Borrower under the Scheme after disbursing the WCL.
- 6.3 Once the application is formally accepted, the Administrator will issue Guarantee Cover Note RDD/ CSS/ WCL/ CG/ II (Annex II) to LB.
- 6.4 The Administrator has the authority to reject any application which is not complied with the Circular.

7. The Extent of Credit Guarantee

- 7.1 The Scheme will provide guarantee cover only up to seventy five percent (75%) of the outstanding amount in loss of the new WCL.

8. Credit Guarantee Settlement

- 8.1 In terms of Section 108A (1) of the Monetary Law Act, CBSL may issue guarantee loans granted to small scale enterprises by credit institutions operating in Sri Lanka.
- 8.2 The Administrator has the authority to receive guarantee funds, collect premium, pay claims and call for the recoveries after the settlement of claims and matters connected thereto.

9. Guarantee Cover

- 9.1 The guarantee cover becomes effective from the date of disbursement of the first installment of the new WCL by the LB provided the guarantee premium has been paid by the LB to the Administrator.
- 9.2 The guarantee cover will cease to be operative if in the opinion of the Administrator that LB had failed to observe normal care and prudence and had been negligent in the disbursement of the loan and in monitoring the account without effective recovery process / actions.

10. Payment of Guarantee Premium

- 10.1 The premium is payable to the Administrator at the rate of one percent (1%) per annum for the repayment period of the WCL from the value of the guaranteed amount of the WCL under the Scheme. [Example; If the WCL amount is Rs. 100 and the repayment period is 6 months, the premium will be Rs. 100 @ 0.01(1% premium) @ 0.75 (guarantee cover) @ 0.5 (repayment period in years) = Rs. 0.375]
- 10.2 Failure to pay the guarantee premium disqualifies LB to receive the guarantee cover.
- 10.3 Subject to Section 10.5 bellow, the Credit guarantee facility given to the WCL could be extended for further period of 6 months by paying the premium applicable for the additional period at the rate of one percent (1%) per annum of the guaranteed amount of the remaining balance of the WCL, before expiry of the initial period. [Example; If the value of remaining balance of WCL is Rs. 50 and the extension period is 6 months, the premium will be Rs. 50 @ 0.01(1% premium) @ 0.75 (guarantee cover) @0.5 (extended period in years) = Rs. 0.1875]

- 10.4 The credit guarantee will cease to be operative at the end of the initial period unless extended.
- 10.5 In order to get the extension of the credit guarantee cover for LBs, at least 25% of the WCL amount needs to be recovered during the initial period.
- 10.6 The premium statement shall be sent to the “Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01”, together with the premium due thereon.
- 10.7 Remittance of premium shall be by way of an “Account Payee” Cheque, drawn in favor of the “Director, Regional Development Department of the Central Bank of Sri Lanka”.
- 10.8 The cost of the premium for the Credit Guarantee shall be borne by LBs and shall not be passed on to the borrower.

11. Obligations of the LBs

- 11.1 LBs shall take all reasonable steps to assess the ability of reviving the affected business before disbursing the loan.
- 11.2 LBs shall, at all times, exercise due care and prudence in disbursing the loan to the Borrower and ensure that the loan is utilized for the purpose for which it has been granted.
- 11.3 LBs shall also supervise the status and the operations of the account and take prompt actions where necessary, to minimize any losses to LBs.
- 11.4 LBs shall take necessary and adequate measures to recover the WCLs granted under the Scheme.
- 11.5 LBs shall pay the premium to the Administrator as described in Section 10 of the OIs.
- 11.6 LBs shall keep records and furnish data and information related to each and every loan, to the Administrator.
- 11.7 LBs are not permitted to write off any loan granted under the Scheme without prior written approval of the Administrator.
- 11.8 LBs are required to assure that the WCL is utilized by the Borrower to revamp the business and not used to settle the previous loans in NPL category or any other purpose.

12. Obligations of the Administrator

- 12.1 Issue OIs of this Scheme to LBs. OIs are subject to amendments as and when necessary.
- 12.2 Issue the guarantee covers to LBs with regard to the eligible borrowers, on behalf of the GOSL.
- 12.3 Collect premium from LBs as described in the OIs.
- 12.4 Carry out monitoring and evaluation process of the Scheme and implement necessary policy actions, on behalf of the GOSL.
- 12.5 The Administrator reserves the right of revoking credit guarantees issued if found that LB has violated the requirements/terms and conditions of the Scheme or prudential banking practices when granting new WCL.

13. Reporting Overdue and Defaults

- 13.1 If the loan or any installment thereof is not repaid on the due date, LB shall take prompt and effective steps to recover such arrears from the Borrower/s.
- 13.2 When the new WCLs granted under this scheme, are classified as NPL in accordance with the Banking Act Directions No.03 and 04 of 2008 on Classification of Loans, Income Recognition and Provisioning, the LB shall submit a report to the Administrator giving the status of the Borrower. The report shall include the following information –
 - 13.2.1 An assessment of problem/s faced by the Borrower;
 - 13.2.2 An assessment of the Borrower’s capacity to repay the loan;
 - 13.2.3 Steps taken by LBs to recover the loan and future steps contemplated;
 - 13.2.4 The opinion of LB regarding status of recovery / rehabilitation;
 - 13.2.5 Such other information as may be required by the Administrator.

14. Claim Procedure

- 14.1 Where any amount of new WCL is in default and/or the Borrower is unable to comply with requirements of the Circular, LB shall send the Demand Notice to the Borrower within one (1) month from the date of transferring the respective loan to the NPL category.
- 14.2 Subsequently, LB may submit a claim to D/RDD on the form RDD/ CSS/ WCL/ CG/ III (Annex III) after the expiry of one (1) month, but not later than two (2) months from the date of which Demand Notice is served to the Borrower.

- 14.3 For the purpose of Section 14.1 above, the Demand Notice may be served by way of a Letter of Demand to the defaulted Borrower.
- 14.4 Certified copies of the Demand Notice issued to the Borrower and evidence of the undertaking to initiate legal action shall accompany the claim application.
- 14.5 The amount in default shall be deemed to be the principle amount covered by the Guarantee.
- 14.6 On receipt of the claim form, the Administrator shall pay seventy-five per cent (75%) of the outstanding amount of the WCL in two (02) installments subject to section 14.7 and 14.8. However, the Administrator reserves the right to demand the amount paid, if the Administrator found that LB has failed or been negligent to exercise necessary supervision and actions as required under this OIs.
- 14.7 On receipt of the claim form as specified in RDD/ CSS/ WCL/ CG/ III (Annex III), the Administrator will pay fifty percent (50%) of the outstanding amount of the WCL subject to the limitation stated in Section 7.1 of the OIs. LB shall submit a detailed report on recovery actions along with all relevant documentary evidence, to the Administrator.
- 14.8 The remaining balance after first payment i.e. fifty percent (50%) of the claim guaranteed by the CBSL from the outstanding of the WCL will be paid once the LB furnishes the RDD/ CSS/ WCL/ CG /IV (Annex IV) form to the Administrator with the case numbers arising from legal action, within nine (09) months from the first payment mentioned in section 14.7 above.
- 14.9 The Administrator, on case by case basis, may accept guarantee claims without case numbers as referred at 14.8 above, subject to LB taking substantial recovery actions and inspection of the business by the administrator.

15. Defaulted Loans

- 15.1 LBs are required to adhere to the Banking Act Direction No.03 and 04 of 2008 on Classification of Loans, Income Recognition and Provisioning with respect of classifying loans and effecting recovery action on same.
- 15.2 Whenever a claim has been settled, the LB may set-off NPL balances of loans granted under the Scheme against the credit guarantee claims paid for the respective loans.

16. Recovery Action

- 16.1 The LBs shall have a proper internal control mechanism in place to monitor the recovery of loans under the Scheme, notwithstanding the availability of the credit guarantee.
- 16.2 The LB shall endeavor to take immediate and effective action to recover any overdue amount by every mean available with it and keep the Administrator informed of the action taken and progress of the project from time to time.
- 16.3 The LB shall take any action that may be suggested by the Administrator for the purpose of effecting recovery actions against defaulted borrowers. The LB shall not discontinue any recovery actions that have already been taken against such Borrowers even after the settlement of a claim under this guarantee scheme.

17. Post Claim Settlement

- 17.1 All amounts recovered from the Borrower, after payment of a guarantee claim shall be shared between the Administrator and the LB in the proportion of 75:25 respectively, of which the loan loss was shared. For this purpose, the prescribed format RDD/ CSS/ WCL/ CG/ V (Annex V) issued by the Administrator shall be used.
- 17.2 The above form shall be submitted bi-annually for the time periods of January to June and July to December by LBs. Recovery proceeds shall be made available to the Administrator within 30 days from 30th June and 31st December each year.
- 17.3 The LB should maintain a register indicating the total guarantee amount received from the Administrator and the recoveries etc. and the register must be made available to the Administrator or any other CBSL officer authorized by him to that effect, during the period of inspections.
- 17.4 The expenses incurred on loan recoveries under the WCL scheme including the legal cost shall have first charge on the amount recovered from the borrower. The balance amount recovered shall be shared at the rate specified in Section 17.1 above. All other charges shall be met only after the share of the Administrator is reimbursed.

18. Inspection

- 18.1. The Administrator shall, as may be necessary for the purpose of the Scheme, have the right to inspect the books of accounts and other records of the LB pertaining to any loan guaranteed under the Scheme.
- 18.2. The LB shall make it a condition of each loan that the Borrower shall submit to the Administrator and/or GOSL such documents, books of accounts as may be requested in relation to the activity financed under the Scheme and permit the officers authorized by the Administrator and/or GOSL to inspect the project, as and when necessary.
- 18.3. The Administrator reserves the right to revoke the guarantee cover and or any payment made in settlement of claims if it is found that LB has violated the terms and the conditions of the Scheme.

19. Furnishing of Returns and Information

- 19.1. The LB shall submit such returns and furnish such information when Administrator request information relating to any loan guaranteed under the Scheme.
- 19.2. The Administrator shall submit reports to the Ministry as may be requested from time to time.

20. Modification and Supplementary Provisions

- 20.1. The Administrator reserves the right to modify or withdraw the Scheme without affecting the rights or obligations arising out of any guarantee issued under the Scheme.
- 20.2. In respect of any matter not specifically provided in the Scheme, Administrator shall make such supplementary or additional provisions as may be necessary for the purpose of the Scheme.

The effective date of the Scheme is 26 February 2020.

Director
Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/PR-COVID19/2020/01

Regional Development Department
Central Bank of Sri Lanka
PO Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
01.04.2020

To: All PFIs registered under Saubagya (Prosperity) Loan Scheme

ADDENDUM TO THE OPERATING INSTRUCTIONS FOR INTRODUCING NEW REFINANCE FACILITY FOR THE MICRO, SMALL AND MEDIUM SECTOR ENTERPRISES (MSMES) ADVERSELY AFFECTED BY THE COVID-19 OUTBREAK, UNDER THE SAUBAGYA (PROSPERITY) LOAN SCHEME ("SAUBAGYA COVID-19 RENAISSANCE FACILITY")

This addendum to the Operating Instructions No: RDD/PR/2010/03 dated 22.03.2010 (as amended) (the Addendum) issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for the implementation of the Saubagya Loan Scheme, is issued to enable the PFIs to accommodate Micro, Small and Medium Enterprises (MSMEs) affected by the COVID-19 outbreak, under the Saubagya Loan Scheme.

1. Introduction

- 1.1 Having identified the national importance of reviving the MSMEs adversely affected by the COVID-19 outbreak in order to contain the hampering of living conditions of the Sri Lankans and the economic growth of the country as a whole, CBSL under the instructions of the Government of Sri Lanka has introduced a series of relief measures through the financial sector by the Monetary Board Circular No: 05 of 2020 dated March 27, 2020 on "Rupees 50 Billion, Six-Month Re-financing Facility to Support COVID 19 Hit Businesses Including Self Employment and Individuals" (Monetary Board Circular).
- 1.2 The intention of this Addendum is to make provisions to include MSMEs adversely affected by the COVID-19 outbreak under a separate refinance component of the existing Saubagya Loan Scheme which is funded and implemented by the CBSL. Accordingly, the PFIs are eligible to claim refinance against the new loans granted for such affected MSMEs under this separate refinance component introduced to the Saubagya Loan Scheme.

1.3 This new refinance facility will be referred to as “Saubagya COVID19 Renaissance Facility” for the purpose of distinguishing from the main credit component of the Saubagya Loan Scheme.

1.4 It is pertinent to note that the terms and conditions stipulated in the Operating Instructions No: RDD/PR/ 2010/03 dated 22.03.2010 (as amended) of the Saubagya Loan Scheme will remain unchanged and the operations under the Operating Instructions No: RDD/PR/2010/03 dated 22.03.2010 (as amended) will not be disrupted by issuance of this new Addendum.

2. Areas of Operation

All island.

3. Funding

The new refinance component of the Saubagya Loan Scheme established to implement “Saubagya COVID19 Renaissance Facility” will be funded by the CBSL.

4. Implementation of the “Saubagya COVID-19 Renaissance Facility”

4.1 “Saubagya COVID-19 Renaissance Facility” will be implemented as a separate credit component under the Saubagya Loan Scheme.

4.2 RDD of the CBSL as the implementation agency of the Saubagya Loan Scheme, will also act as the implementation agency of the “Saubagya COVID19 Renaissance Facility”.

5. Effective Date

The effective date of this Addendum to the Operating Instructions No: RDD/ PR/ 2010/03 dated 22.03.2010 (as amended) under the Saubagya Loan Scheme will be 01.04.2020.

6. Participating Financial Institutions (PFIs)

6.1 Existing PFIs under the Saubagya Loan Scheme will be considered as PFIs of the “Saubagya COVID19 Renaissance Facility” as well.

6.2 In addition, any Licensed Commercial Bank (LCB) or Licensed Specialized Bank (LSB), subject to the recommendation of the Director of Bank Supervision of the CBSL, will be eligible as PFIs of the “Saubagya COVID19 Renaissance Facility”. Such LCBs and LSBs willing to participate as PFIs shall inform their willingness to the Director, RDD of the CBSL on or before 15.04.2020. However, they will not be considered as PFIs of the Saubagya Loan Scheme.

6.3 Refinancing quota for each PFI will be determined and informed by the RDD.

7. Eligible Activities and Eligible Sub-borrowers

7.1 Any Income Generating Activity/ Economic Activity conducted/ carried out by MSMEs prior to the COVID-19 outbreak, as stated in the Section 2 of the Monetary Board Circular, will be eligible to receive new loans for revival of such activities and PFIs are eligible to claim refinance against such new loans under this addendum to the Operating Instructions.

7.2 Sub-loans under the “Saubagya COVID19 Renaissance Facility” will be granted to facilitate working capital requirements of the eligible sub-borrowers for their existing MSMEs.

7.3 Previous and existing sub-borrowers of the Saubagya Loan Scheme who have been adversely affected by the COVID-19 outbreak, will also be eligible for the relief granted under this Addendum.

8. Main Features of the “Saubagya COVID19 Renaissance Facility”

8.1. Maximum Loan Limit	Two months working capital requirement subject to maximum of Rs. 25 million per sub-borrower/ MSME
8.2. Interest Rate payable to the PFI by the Sub-Borrower	(i) 4% per annum (ii) PFIs shall not, in any circumstance, grant loans for the sub-borrowers at a rate higher than 4% per annum
8.3. Interest Rate payable to the CBSL by the PFI	1 % per annum
8.4. Grace Period	(i) Maximum duration of six (06) months depending on the nature of the activity. (ii) Sub-borrowers are not required to pay both capital and interest during the grace period.
8.5. Repayment Period	Maximum duration of twenty-four (24) months including the grace period.
8.6. Collateral	The viability of the economic activity should be given priority. However, PFIs may obtain suitable collateral to mitigate the credit risk relating to credit facilities granted under “Saubagya COVID19 Renaissance Facility”.

9. Registration of Borrowers

- 9.1 The Head Office of the PFI shall issue relevant guidelines and instruct its branches to identify the applicants/MSMEs affected by COVID-19 outbreak and collect loan applications from such eligible sub-borrowers on or before 30.04.2020.
- 9.2 The Head Office of the PFI should forward the details of the applicants who wish to obtain loans under the "Saubagya COVID19 Renaissance Facility", by submitting the hard copy of duly completed Loan Registration Forms given as Annex 1(a) and Annex I(b) of this Addendum to the RDD. The final dead line for the submission of Loan Registration Forms to the RDD will be 22.05.2020.
- 9.3 For the expeditious implementation, PFIs should email the soft copy of the Annex I(b) within 10 working days of receipt of sub-loan application from the eligible sub-borrower to the email addresses which will be informed by Director, RDD of the CBSL.
- 9.4 The PFIs have to ensure the accuracy and compatibility of the information provided in the Annex 1(a) and Annex I(b).
- 9.5 Based on the information provided in Annex 1(b), RDD will register the sub-borrowers on first-come-first-served basis subject to the funding quota of the respective PFI within 05 working days. However, if discrepancy is observed between the information provided in the Annex I(a) and Annex I(b) after receiving the hard copies of those documents, RDD reserves the right to cancel the registration of the respective sub-borrower whose information found to be inaccurate without prior notice to the PFI.
- 9.6 The RDD reserves the right to refer back the registration application to the PFI, in the event that any further information or clarification is required by RDD for the purpose of registering such application.
- 9.7 Upon the registration of a sub-borrower, RDD will allocate a designated Registration Number to every loan registered and notify such Registration Number to the Head Office of the respective PFI. This Registration Number should be used for any correspondence with the CBSL regarding the particular sub-borrower.

10. Disbursement of Sub-loans

- 10.1 PFIs should release loans to the registered sub-borrowers within 1 week of such registration with the CBSL.
- 10.2 If a PFI is unable to disburse any sub-loan within the stipulated time period, RDD should be informed immediately with valid reasons for the delay in disbursement.
RDD will consider the reasons given for the delay and take appropriate decision/ actions on registered applicants.
- 10.3 Any failure of the PFI to disburse sub-loans and to provide valid reasons within 30 days may cause cancellation of the registration of sub-borrowers by the RDD, without any prior notification to the PFI.
- 10.4 PFIs should submit a report on such registered loans which have not been disbursed with the specific reason for each application on or before 15.06.2020.

11. Refinance Procedure

- 11.1 CBSL will provide 100 per cent refinance for all sub-loans granted by the PFIs subject to the terms and conditions laid down in this Addendum.
- 11.2 Duly completed applications for refinance should be submitted to RDD for reimbursement after releasing the sub-loans to the registered sub-borrowers. Each refinance application should be accompanied with the following documents:
 - (i) Application for Refinance - Annex II(ii)
 - (ii) Statement of Loans Disbursed Application for Refinance - Annex III
 - (iii) Demand Promissory Note- Annex IV
 - (iv) Delivery Note - Annex V
 - (v) Form of Assignment by way of Pledge to CBSL - Annex VI
 - (vi) Disbursement Letter - Annex VII
- 11.3 RDD, having satisfied with the completion of required information in the refinance application together with all relevant documents mentioned above, will approve such refinance application and release refinance within 14 working days after receiving duly completed refinance application, on first come first served basis, subject to the availability of funds and the funding quota allocated to the respective PFI.
- 11.4 Refinance claims should be submitted to the RDD only through the Head Offices of PFIs within 30 days of the date of disbursement. Refinance claims sent to the RDD directly by the PFI branches will not be accommodated.
- 11.5 Capital and interest payments on refinance loans will be payable by the PFIs to the CBSL semi-annually according to the repayment schedule for refinance prepared by the CBSL based on the repayment schedule of each sub-borrower.

12. Recovery of Loans

- 12.1 PFIs should recover the capital and interest from the sub borrower as per the conditions apply for each sub-loan.
- 12.2 The capital and interest for the refinance released to the PFIs will be recovered semi-annually i.e. 30th June and 31st December of each year by the CBSL commencing from 31.12.2020 based on the date of the refinance granted.

13. Custody of documents

- 13.1 The PFI should make arrangements to keep all the evidence used to assess the losses of the applicant. Such documents shall be presented to the CBSL as and when requested by the CBSL for the examination or other purposes.
- 13.2 PFI Head Office or branch may retain any other document relevant to loan disbursement at the sole discretion of the PFI.

14. Auditing of Accounts

- 14.1 RDD will prepare annual financial statements under each refinance component and such financial statements will be audited by the Auditor General.
- 14.2 Further, PFIs shall conduct a special internal audit to check the assessments carried out to assess the losses of the sub-borrowers.

15. Role and Responsibilities of the PFIs

The PFIs are required to play an active role in the implementation of the "Saubagya COVID19 Renaissance Facility". In addition to the requirements mentioned in this Addendum, the PFIs are requested to comply with the additional roles and responsibilities. In this regard, the PFI shall;

- 15.1 Ensure that adequate staff is allocated at the Head Office and the branches of the PFI for expeditious implementation of the "Saubagya COVID19 Renaissance Facility" within the stipulated time period.
- 15.2 Designate a senior official at the PFI Head Office to liaise with the RDD of the CBSL with regard to the implementation of the "Saubagya COVID19 Renaissance Facility"
- 15.3 Exercise due care and prudence at all times in disbursing loans to sub-borrowers and take all reasonable steps to ensure that the loans are disbursed only for the purpose of the "Saubagya COVID19 Renaissance Facility"
- 15.4 Take full responsibility of the delivery of credit and the recoveries in time.
- 15.5 Ensure that any branch of the PFI shall not, in any circumstance, grant loans for the sub-borrowers registered under the "Saubagya COVID19 Renaissance Facility" at a rate higher than the interest rate mentioned in this Addendum.
- 15.6 Confirm that each sub-borrower has been adversely affected by the COVID-19 outbreak prior to disbursing the new sub-loan.
- 15.7 Ensure regular supervision of the status and operations of the respective loan account in its books and take prompt actions, where necessary, to minimize any losses to the PFI.
- 15.8 Maintain Accounts and Financial Statements;
 - (i) PFIs are required to maintain appropriate ledger accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
 - (ii) PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
 - (iii) PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD. Further, the PFI should submit the Accounts and Financial Statements and any information requested by the RDD with regard to the "Saubagya COVID19 Renaissance Facility", as and when required.
- 15.9 Follow the registration process and refinance procedure stipulated in the Operating Instructions

16. Other

The Director, RDD of the CBSL reserves the right to revise the terms and conditions stipulated in this Addendum to the Operating Instructions No: RDD/ PR/ 2010/03 dated 22.03.2010 (as amended) of the Saubagya Loan Scheme as and when necessary and removing of any PFI operating under the Scheme in the event of noncompliance to the Ols of the Scheme.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

Annex I(a)

REGISTRATION NO :

"SAUBAGYA COVID-19 RENAISSANCE FACILITY"
REGISTRATION FORM

1. Name and Branch of PFI	
2. Address of the Branch	
3. Telephone/ Fax No.	

4. Status of Applicant/ s: Individual ☐ Partnership ☐ Others ☐

.....

(Please Specify)

5. Name and Contact details of Applicant/ Partner/ Director :

Name	Address and Contact No.	NIC No.	Gender	Highest Educational Qualification

6. Complete Address/ Location of the Project Site

.....

7. District :

8. Type of Project: Small ☐ Medium ☐

9. Brief description of the Project to be finance under the Saubagya COVID-19 Renaissance Facility (Purpose of the Loan).

.....

10	Estimated Cost of the Project	
11	Required Loan Amount	
12	Amount Recommended/ Approved by the PFI	

I certify that the proposed project described at 9 above has been examined by me/ credit officer and found that it has a sufficient cash flow profitability and hence recommended for finance under the Saubagya COVID-19 Renaissance Facility.

Date :

.....

Signature of Branch Manager / Rubber Stamp

Date :

.....

Signature and rubber stamp of the authorized
 officer of the PFI Head office

Annex I (b)

"SAUBAGYA COVID -19 RENAISSANCE FACILITY"
SUB BORROWER REGISTRATION

Application Number :

To The Central Bank of Sri Lanka

Through PFI Head Office

Name of the PFI:

PFI Branch Name :

District of the Branch:

Applicant Name	Address	NIC No	Gender	Highest Educational Qulification	Location of the site		Loan Details			CBSL Registration Number
					Address	District	Purpose	Estimated Cost (Rs)	Recommended Amount (Rs)	

I certify that the projects mentioned above were examined by me / credit officer of the bank and found that those are eligible to be financed under the Saubagya COVID -19 Renaissance Facility.

.....

(Name & Signature and Stamp of the Authorized Officer)

*For CBSL use only.

.....

Date

ANNEX II - Application for Refinance

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/PR-COVID19/ 2020/01 dated 01/04/ 2020)

Address:

Date:

**APPLICATION FOR REFINANCE UNDER
THE "SAUBAGYA COVID-19 RENAISSANCE FACILITY"**

To: The Central Bank of Sri Lanka.

Gentlemen

We a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/ is herewith submitted to you, do hereby apply for the grant of a loan of Rupees (Rs.) under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the "Saubagya COVID-19 Renaissance Facility" for agriculture, livestock and MSMEs. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of instalments) (monthly / quarterly/ half yearly [state frequency]) instalments each of Rs. the first of which shall be payable on day of 20
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to borrowers mentioned in paragraph 3 above are within their borrowing powers; and
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

.....
Signature Name and designation of the Authorized
Officer(s) of the PFI Manager, Refinance Unit.

ANNEX III – Statement of Loans Disbursed Application for Refinance

REFINANCE APPLICATION NO:.....

STATEMENT OF LOANS DISBURSED UNDER THE
" SAUBAGYA COVID-19 RENAISSANCE FACILITY"

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

To : Central Bank of Sri Lanka
Form : Refinance Unit
PFI :

Branch : District :

Enquiry Number	Name, Address & NIC Number of the Borrower	Project Description & Purpose of Loan	Sub-Loan Amount (Rs)	Amount Disbursed (Rs)	Date of Disbursement	Disbursed amount for which Refinance is Sought (Rs.)	Grace Period	Repayment Schedule			
								Installments		Due Date of first Instalment	Due Date for Last Instalment
								No. of Instalments	Value of Instalment (Rs)		
Total											

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in half yearly instalments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

.....
Name & Signature of Authorized Officer

ANNEX IV Demand Promissory Note**REFINANCE APPLICATION NO:**

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

DEMAND PROMISSORY NOTE

Colombo.

Date:

Rs.

On demand, we, the undersigned

(name and address of the Participatory Financial Institution)

hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupees

..... (Rs.) currency

for value received, with interest thereon, at the rate of per centum per annum from the date hereof.

For (Name of the PFI)

REFINANCE UNIT

HEAD OFFICE

(Stamp)

1.

2.

(Name and Signature of the Authorized Officer)

Witnesses:

1.

2.

ANNEX V- Delivery Note**REFINANCE APPLICATION NO :**

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees

..... (Rs.)

.) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (Saubagya COVID-19 Renaissance Facility) referred to in your Operating Instructions No. RDD/PR-COVID19/2020/01 dated 30/03/2020 we herewith deliver to you our Promissory Note in your favour for Rs.

..... (Rs.)

payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.

For (Name of the Participatory Financial Institution)

REFINANCE UNIT

HEAD OFFICE

1.

2.

(Name and Signatures of the Authorized Officers)

ANNEX VI- Form of Assignment by way of Pledge to CBSL**REFINANCE APPLICATION NO :**

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA UNDER SECTION 88A OF THE MONETARY LAW ACT*

Colombo.

Date:

We

(Name and address of Participatory Financial Institution)

in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees

(Rs.) granted to us by the Bank repayable with interest at per cent per annum.

SCHEDULE

Amount of Debt (Rs)	Borrower's Name and Address	Date	Notary

.....
Name & Signature of the Authorized Officer

For (Name of the PFI)
REFINANCE UNIT
HEAD OFFICE

* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

ANNEX VII - Disbursement Letter**DISBURSEMENT LETTER**

(To Operating Instructions No. RDD/PR COVID19/2020/01 dated 01/04/2020)

Bank Name/ Bank Code No :

Branch Name :

Branch Code No :

Serial No. of the Loan :

Date :

Disbursement :

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

**STATEMENT OF LOANS DISBURSED UNDER
THE "SAUBAGYA COVID-19 RENAISSANCE FACILITY"**

Enquiry Number:

1. Particulars of the Borrower :

1.1 Name of the Borrower :

1.2 NIC No : _____

1.3 Address of the Borrower : _____

1.4 Contact Number of the Borrower : _____

2. Particulars of the Loan :

2.1 Purpose of the Loan : _____

2.2 Location of the Sub-project : _____

2.3 Total amount of loan sanctioned : originally Rs. _____

Subsequent enhancement of loan for cost overruns Rs. _____

Total : Rs. _____

2.4 Date of original sanction of loan : _____

Date of sanction of enhancement of loan : _____

2.5 Repayment Programme for the instalment for which refinance was applied for:

Date: _____ Amount (Rs.): _____

2.6 Rate of interest: _____

3. Status of Loan:

3.1 Amount released previously) Rs. _____

and refinance claimed from the CBSL) _____

3.2 Amount now released and for which) Rs. _____

Refinance is sought) _____

Total Rs. _____

I certify that the particulars given above are true and correct.

Date :

Signature of Branch Manager

Name of Branch Manager

* Please indicate whether it is 1st, 2nd or any other instalment by putting a cross in the appropriate box.

Operating Instructions No: RDD/PR-COVID19/2020/02

Regional Development Department
Central Bank of Sri Lanka
PO Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
06.04.2020

To: Licensed Banks - not registered under the Saubagya (Prosperity) Loan Scheme

**ADDENDUM TO THE OPERATING INSTRUCTIONS FOR INTRODUCING NEW REFINANCE FACILITY FOR
THE MICRO, SMALL AND MEDIUM SECTOR ENTERPRISES (MSMES) ADVERSELY AFFECTED BY THE
COVID-19 OUTBREAK, UNDER THE SAUBAGYA (PROSPERITY) LOAN SCHEME
("SAUBAGYA COVID-19 RENAISSANCE FACILITY")**

- OPERATING INSTRUCTIONS-

These Operating Instructions are issued to the Licensed Commercial Banks and Licensed Specialized Banks (Licensed Banks) that are not yet registered as Participating Financial Institutions (PFIs) under Saubagya (Prosperity) Loan Scheme, enabling those Banks to act as PFIs under the new refinance facility of the Saubagya Loan Scheme to support the MSMEs adversely affected by the COVID-19 outbreak.

1. Introduction

- 1.1 Having identified the national importance of reviving the MSMEs adversely affected by the COVID-19 outbreak in order to contain the hampering of living conditions of the Sri Lankans and the economic growth of the country as a whole, Central

Bank of Sri Lanka (CBSL) under the instructions of the Government of Sri Lanka has introduced a series of relief measures through the financial sector by the Monetary Board Circular No: 05 of 2020 dated March 27, 2020 on "Rupees 50 Billion, Six-Month Re-financing Facility to Support COVID 19 Hit Businesses Including Self Employment and Individuals" (Monetary Board Circular).

- 1.2 The intention of these Operating Instructions is to make provisions for the Licensed Banks which are not registered as PFIs of the Saubagya Loan Scheme to act as PFIs of the new refinance facility introduced under the Saubagya Loan Scheme.
- 1.3 This new refinance facility will be referred to as "Saubagya COVID19 Renaissance Facility" for the purpose of distinguishing from the main credit component of the Saubagya Loan Scheme.
- 1.4 The objective of the "Saubagya COVID19 Renaissance Facility" is to include MSMEs adversely affected by the COVID-19 outbreak under a separate refinance component of the existing Saubagya Loan Scheme which is funded and implemented by the CBSL. Accordingly, the PFIs are eligible to claim refinance against the new loans granted for such affected MSMEs under this separate refinance component introduced to the Saubagya Loan Scheme.

2. Areas of Operation

All island.

3. Funding

The new refinance component of the Saubagya Loan Scheme established to implement "Saubagya COVID19 Renaissance Facility" will be funded by the CBSL.

4. Implementation of the "Saubagya COVID-19 Renaissance Facility"

- 4.1 "Saubagya COVID-19 Renaissance Facility" will be implemented as a separate credit component under the Saubagya Loan Scheme.
- 4.2 RDD of the CBSL as the implementation agency of the Saubagya Loan Scheme, will also act as the implementation agency of the "Saubagya COVID19 Renaissance Facility".

5. Effective Date

The effective date of these Operating Instructions will be 06.04.2020.

6. Participating Financial Institutions (PFIs)

- 6.1 Existing PFIs under the Saubagya Loan Scheme will be considered as PFIs of the "Saubagya COVID19 Renaissance Facility" as well.
- 6.2 In addition, any Licensed Bank, subject to the recommendation of the Director of Bank Supervision of the CBSL, will be eligible as PFIs of the "Saubagya COVID19 Renaissance Facility". Such Licensed Banks willing to participate as PFIs shall inform their willingness to the Director, RDD of the CBSL on or before 15.04.2020. However, they will not be considered as PFIs of the main refinance component of the Saubagya Loan Scheme.
- 6.3 Refinancing quota for each PFI will be determined and informed by the RDD.

7. Eligible Activities and Eligible Sub-borrowers

- 7.1 Any Income Generating Activity/ Economic Activity conducted/ carried out by MSMEs prior to the COVID-19 outbreak, as stated in the Section 2 of the Monetary Board Circular, will be eligible to receive new loans for revival of such activities and PFIs are eligible to claim refinance against such new loans under these Operating Instructions.
- 7.2 Sub-loans under the "Saubagya COVID19 Renaissance Facility" will be granted to facilitate working capital requirements of the eligible sub-borrowers for their existing MSMEs.
- 7.3 Previous and existing sub-borrowers of the Saubagya Loan Scheme who have been adversely affected by the COVID-19 outbreak, will also be eligible for the relief granted under these Operating Instructions.

8. Main Features of the "Saubagya COVID19 Renaissance Facility"

8.1. Maximum Loan Limit	Two months working capital requirement subject to maximum of Rs. 25 million per sub-borrower/ MSME
-------------------------	--

8.2. Interest Rate payable to the PFI by the Sub-Borrower	(i) 4% per annum (ii) PFIs shall not, in any circumstance, grant loans for the sub-borrowers at a rate higher than 4% per annum
8.3. Interest Rate payable to the CBSL by the PFI	1 % per annum
8.4. Grace Period	(i) Maximum duration of six (06) months depending on the nature of the activity. (ii) Sub-borrowers are not required to pay both capital and interest during the grace period.
8.5. Repayment Period	Maximum duration of twenty-four (24) months including the grace period.
8.6. Collateral	The viability of the economic activity should be given priority. However, PFIs may obtain suitable collateral to mitigate the credit risk relating to credit facilities granted under "Saubagya COVID19 Renaissance Facility".

9. Registration of Borrowers

- 9.1 The Head Office of the PFI shall issue relevant guidelines and instruct its branches to identify the applicants/MSMEs affected by COVID-19 outbreak and collect loan applications from such eligible sub-borrowers on or before 30.04.2020.
- 9.2 The Head Office of the PFI should forward the details of the applicants who wish to obtain loans under the "Saubagya COVID19 Renaissance Facility", by submitting the hard copy of duly completed Loan Registration Forms given as Annex I(a) and Annex I(b) of these Operating Instructions to the RDD. The final dead line for the submission of Loan Registration Forms to the RDD will be 22.05.2020.
- 9.3 For the expeditious implementation, PFIs should email the soft copy of the Annex I(b) within 10 working days of receipt of sub-loan application from the eligible sub-borrower to the email addresses which will be informed by the Director, RDD of the CBSL.
- 9.4 The PFIs have to ensure the accuracy and compatibility of the information provided in the Annex 1 (a) and Annex I(b).
- 9.5 Based on the information provided in Annex 1 (b), RDD will register the sub-borrowers on first-come-first-served basis subject to the funding quota of the respective PFI within 05 working days. However, if discrepancy is observed between the information provided in the Annex I(a) and Annex I(b) after receiving the hard copies of those documents, RDD reserves the right to cancel the registration of the respective subborrower whose information found to be inaccurate without prior notice to the PFI.
- 9.6 The RDD reserves the right to refer back the registration application to the PFI, in the event that any further information or clarification is required by RDD for the purpose of registering such application.
- 9.7 Upon the registration of a sub-borrower, RDD will allocate a designated Registration Number to every loan registered and notify such Registration Number to the Head Office of the respective PFI. This Registration Number should be used for any correspondence with the CBSL regarding the particular sub-borrower.

10. Disbursement of Sub-loans

- 10.1 PFIs should release loans to the registered sub-borrowers within 1 week of such registration with the CBSL.
- 10.2 If a PFI is unable to disburse any sub-loan within the stipulated time period, RDD should be informed immediately with valid reasons for the delay in disbursement. RDD will consider the reasons given for the delay and take appropriate decision/ actions on registered applicants.
- 10.3 Any failure of the PFI to disburse sub-loans and to provide valid reasons within 30 days may cause cancellation of the registration of sub-borrowers by the RDD, without any prior notification to the PFI.
- 10.4 PFIs should submit a report on such registered loans which have not been disbursed with the specific reason for each application on or before 15.06.2020.

11. Refinance Procedure

- 11.1 CBSL will provide 100 per cent refinance for all sub-loans granted by the PFIs subject to the terms and conditions laid down in these Operating Instructions.

- 11.2 Duly completed applications for refinance should be submitted to RDD for reimbursement after releasing the sub-loans to the registered sub-borrowers. Each refinance application should be accompanied with the following documents:
 - (i) Application for Refinance - Annex II
 - (ii) Statement of Loans Disbursed Application for Refinance - Annex III
 - (iii) Demand Promissory Note- Annex IV
 - (iv) Delivery Note - Annex V
 - (v) Form of Assignment by way of Pledge to CBSL - Annex VI
 - (vi) Disbursement Letter - Annex VII
- 11.3 RDD, having satisfied with the completion of required information in the refinance application together with all relevant documents mentioned above, will approve such refinance applications and release refinance within 14 working days after receiving duly completed refinance application, on first come first served basis, subject to the availability of funds and the funding quota allocated to the respective PFI.
- 11.4 Refinance claims should be submitted to the RDD only through the Head Offices of PFIs within 30 days of the date of disbursement. Refinance claims sent to the RDD directly by the PFI branches will not be accommodated.
- 11.5 Capital and interest payments on refinance loans will be payable by the PFIs to the CBSL semi-annually according to the repayment schedule for refinance prepared by the CBSL based on the repayment schedule of each sub-borrower.

12. Recovery of Loans

- 12.1 PFIs should recover the capital and interest from the sub borrower as per the conditions apply for each sub-loan.
- 12.2 The capital and interest for the refinance released to the PFIs will be recovered semi - annually i.e. 30th June and 31st December of each year by the CBSL commencing from 31.12.2020 based on the date of the refinance granted.

13. Custody of documents

- 13.1 The PFI should make arrangements to keep all the evidence used to assess the losses of the applicant. Such documents shall be presented to the CBSL as and when requested by the CBSL for the examination or other purposes.
- 13.2 PFI Head Office or branch may retain any other document relevant to loan disbursement at the sole discretion of the PFI.

14. Auditing of Accounts

- 14.1 RDD will prepare annual financial statements under each refinance component and such financial statements will be audited by the Auditor General.
- 14.2 Further, PFIs shall conduct a special internal audit to check the assessments carried out to assess the losses of the sub-borrowers.

15. Role and Responsibilities of the PFIs

The PFIs are required to play an active role in the implementation of the "Saubagya COVID19 Renaissance Facility". In addition to the requirements mentioned in this Addendum, the PFIs are requested to comply with the additional roles and responsibilities. In this regard, the PFI shall;

- 15.1 Ensure that adequate staff is allocated at the Head Office and the branches of the PFI for expeditious implementation of the "Saubagya COVID19 Renaissance Facility" within the stipulated time period.
- 15.2 Designate a senior official at the PFI Head Office to liaise with the RDD of the CBSL with regard to the implementation of the "Saubagya COVID19 Renaissance Facility".
- 15.3 Exercise due care and prudence at all times in disbursing loans to sub-borrowers and take all reasonable steps to ensure that the loans are disbursed only for the purpose of the "Saubagya COVID19 Renaissance Facility".
- 15.4 Take full responsibility of the delivery of credit and the recoveries in time.
- 15.5 Ensure that any branch of the PFI shall not, in any circumstance, grant loans for the sub-borrowers registered under the "Saubagya COVID19 Renaissance Facility" at a rate higher than the interest rate mentioned in these Operating Instructions.

- 15.6 Confirm that each sub-borrower has been adversely affected by the COVID-19 outbreak prior to disbursing the new sub-loan.
- 15.7 Ensure regular supervision of the status and operations of the respective loan account in its books and take prompt actions, where necessary, to minimize any losses to the PFI.
- 15.8 Maintain Accounts and Financial Statements;
- (i) PFIs are required to maintain appropriate ledger accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
 - (ii) PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
 - (iii) PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD. Further, the PFI should submit the Accounts and Financial Statements and any information requested by the RDD with regard to the "Saubagya COVID19 Renaissance Facility", as and when required.
- 15.9 Follow the registration process and refinance procedure stipulated in the Operating Instructions.

16. Other

The Director, RDD of the CBSL reserves the right to revise the terms and conditions stipulated in these Operating Instructions as and when necessary and removing of any PFI operating under the "Saubagya COVID19 Renaissance Facility" in the event of noncompliance to these Operating Instructions.

M S K Dharmawardane
Director
Regional Development Department
Central Bank of Sri Lanka

Annex I(a)

Registration No :

"SAUBAGYA COVID-19 RENAISSANCE FACILITY"

REGISTRATION FORM

1	Name and Branch of PFI	
2.	Address of the Branch	
3.	Telephone/Fax No.	

4. Status of Applicant/s : Individual ☐ Partnership ☐ Others ☐

.....

(Please Specify)

5. Name and Contact details of Applicant/Partner/Director :

Name	Address and Contact No.	NIC No.	Gender	Highest Educational Qualification

6. Complete Address/Location of the Project Site :

.....

7. District:

8. Type of Project: Small ☐ Medium ☐

9. Brief description of the Project to be finance under the Saubagya COVID-19 Renaissance Facility

(Purpose of the Loan).

.....

10. Estimated Cost of the Project	
11. Required Loan Amount	
12. Amount Recommended/Approved by the PFI	

I certify that the proposed project described at 9 above has been examined by me/credit officer and found that it has a sufficient cash flow for profitability and hence recommended for finance under the Saubagya COVID-19 Renaissance Facility.

Date :

.....
 Signature of Branch Manager/Rubber Stamp

Date :

.....
 Signature and rubber stamp of the authorized
 officer of the PFI Head Office

ANNEX I(b)

"SAUBAGYA COVID -19 RENAISSANCE FACILITY"
SUB BORROWER REGISTRATION

APPLICATION NUMBER :

To The Central Bank of Sri Lanka

Through PFI Head Office

Name of the PFI:

PFI Branch Name :

District of the Branch:

Applicant Name	Address	NIC No	Gender	Highest Education Qualification	Location of the site			Loan Details			CBSL Registration Number
					Address	District		Purpose	Estimated Cost (RS)	Recommended Amount (Rs)	

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Saubagya COVID -19 Renaissance Facility.

.....

(Name & Signature and Stamp of the Authorized Officer)

*For CBSL use only.

.....

Date

ANNEX II- Application for Refinance

Refinance Application No :

(To Operating Instructions No RDD/PR-COVID19/2020/02 dated 06/04/ 2020)

Address:

Date:

**APPLICATION FOR REFINANCE UNDER
THE "SAUBAGYA COVID-19 RENAISSANCE FACILITY"**

To: The Central Bank of Sri Lanka.

Gentlemen

We,a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees
... (Rs.....)under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/PR-COVID19/2020/02 dated 06/04/2020.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the "Saubagya COVID-19 Renaissance Facility" for agriculture, livestock and MSMEs. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of instalments) (monthly / quarterly/ half yearly [state frequency]) instalments each of Rs. the first of which shall be payable on day of 20.....
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to borrowers mentioned in paragraph 3 above are within their borrowing powers; and
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

**Signature Name and designation of the Authorized Officer(S) of the PFI
Manager, Refinance Unit**

ANNEX III – Statement of Loans Disbursed Application for Refinance

REFINANCE APPLICATION NO

STATEMENT OF LOANS DISBURSED UNDER THE
"SAUBAGYA COVID-19 RENAISSANCE FACILITY"

(To Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01/04/2020)

To : Central Bank of Sri Lanka

From : Refinance Unit

PFI : District :

Branch :

Enquiry Number	Name, Address & NIC Number of The Borrower	Project Description & Purpose of Loan	Sub-Loan Amount (Rs.)	Amount Disbursed (Rs.)	Date of Disbursement	Disbursed Amount for which Refinance is Sought (Rs.)	Grace Period	Repayment Schedule			
								Installment		Due Date of first Instalment	Due Date for Last Instalment
								No. of Instalments	Value of Instalment (Rs)		
Total											

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in half yearly installments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

.....
Name & Signature of Authorized Officer

ANNEX IV- Demand Promissory Note

REFINANCE APPLICATION NO. :-

(To Operating Instructions No. RDD/PR-COVID19/2020/02 dated 06/04/2020)

DEMAND PROMISSORY NOTE

Colombo.

Date:

Rs.

On demand, we, the undersigned.....

.....

(name and address of the Participatory Financial Institution)

hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupees.

(Rs.....) currency for value received, with interest thereon, at the rate of.....per centum per annum from the date hereof.

.....

For (Name of PFI)

REFINANCE UNIT

HEAD OFFICE

.....

(Stamp)

1.

2.

(Name and Signature of the Authorized Officer)

WITNESSES:

1.

2.

Annex V: Delivery Note

REFINANCE APPLICATION NO. :-

(To Operating Instructions No. RDD/PR-COVID19/2020/02 dated 06/04/2020)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees (Rs.....) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (Saubagya COVID-19 Renaissance Facility) referred to in your Operating Instructions No. RDD/PR-COVID19/2020/02 dated 06/01/2020 we herewith deliver to you our Promissory Note in your favour for Rs..... (Rs.....) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.

For (Name of the Participating Financial Institution)

REFINANCE UNIT, HEAD OFFICE

1.

2.

(Name and Signature of the Authorized Officer)

ANNEX VI - Form of Assignment by way of Pledge to CBSL

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/PR-COVID19/2020/02 dated 06/04/2020)

FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA UNDER SECTION 88A OF THE MONETARY LAW ACT*

Colombo.

Date:

We,
 (Name and address of Participatory Financial Institution) in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees
 (Rs.....) granted to us by the Bank repayable with interest at percent per annum.

SCHEDULE

Amount of Debt (Rs.)	Borrower's Name & Address	Date	Notary

.....

Name & Signature of the Authorized Officer

For (name of the PFI)

REFINANCE UNIT

HEAD OFFICE

* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

Annex VII - Disbursement Letter**DISBURSEMENT LETTER**

(To Operating Instructions No. RDD/PR COVID-19/2020/02 dated 06/04/2020)

Bank Name

Bank Code No:

Branch Name:

Branch Code No:

Serial No. of the Loan:

Date:

Disbursement:

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

**STATEMENT OF LOANS DISBURSED UNDER
THE "Saubagya COVID-19 Renaissance Facility"**

Enquiry Number:

1. Particulars of the Borrower :

1.1 Name of the Borrower :

1.2 NIC No :

1.3 Address of the Borrower :

1.4 Contact Number of the Borrower :

2. Particulars of the Loan

2.1 Purpose of the Loan

2.2 Location of the Sub-project

2.3 Total amount of loan sanctioned : originally Rs.

Subsequent enhancement of loan for cost overruns Rs. _____

Total Rs _____

2.4 Date of original sanction of loan :

Date of sanction of enhancement of loan :

2.5 Repayment Programme for the installment for which refinance was applied for:

Date Amount (Rs.)

2.6 Rate of interest:

3. Status of Loan:

3.1 Amount released previously) Rs

and refinance claimed from the CBSL)

3.2 Amount now released and for which) Rs

refinance is sought) _____

Total Rs _____

I certify that the particulars given above are true and correct.

Date :

Signature of Branch Manager

Name of Branch Manager

* Please indicate whether it is 1st, 2nd or any other installment by putting a cross in the appropriate box

Operating Instructions No. RDD/NCRCS/2011

08 April 2020

To: All Participating Financial Institutions

Dear Sir/Madam

AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS)

All PFIs are hereby informed that the Operating Instructions No. RDD/NCRCS/2011 dated 23rd September 2011, subsequently amended on 10th January 2016, June 2014, 06th July 2015 and 22nd August 2016, are amended as follows;

1. Rate of Interest

Subsidy paid by the Government of Sri Lanka	Interest Rate to the end borrower	Effective Interest Rate to the PFI
5% p.a	4% p.a	9% p.a

2. Eligibility Criteria for Granting Loans

The "Saubagya Home Garden Promotion Programme" implemented by the Government of Sri Lanka shall be eligible for financing under NCRCS subject to the following conditions;

(a) The minimum extent of land units shall not be considered as an eligibility criterion for any eligible crop, and;

(b) The maximum loan amount for any eligible crop applicable to this programme shall not be exceeding Rs. 40,000;

The above amendments shall be applicable with effect from 9th April 2020 and all other terms and conditions stipulated in the Operating Instructions of the NCRCS will remain unchanged.

Please bring the contents of this amendment circular to the notice of the officers of the relevant departments/branches of your bank.

M S K Dharmawardane
Director
Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/PR – COVID19/2020/01(A-01)

Regional Development Department
 Central Bank of Sri Lanka
 P.O. Box 590
 No 30, Janadhipathi Mawatha
 Colombo 1.
 13.04.2020.

TO: All PFIs registered under Saubagya (Prosperity) Loan Scheme

Dear Sir/Madam,

AMENDMENTS TO THE OPERATING INSTRUCTIONS OF “SAUBAGYA COVID-19 RENAISSANCE FACILITY”

This refers to the addendum to the Operating Instructions for Introducing New Refinance Facility for the Micro, Small and Medium sector Enterprises (MSMEs) adversely affected by the COVID -19 Outbreak, under the Saubagya (Prosperity) Loan Scheme : (“Saubagya COVID-19 Renaissance Facility”) issued on 01.04.2020.

The Central Bank of Sri Lanka, with a view to broaden the outreach and to help wider segment of the affected economic activities, has decided to:

- a) change the maximum loan limit of the “Saubagya COVID-19 Renaissance Facility” to two month working capital requirement instead of existing limit of Rs. 25 million; and,
- b) facilitate any enterprise, referred in the Section 2 (i) of the Monetary Board Circular No. 05/2020, affected by the COVID-19 outbreak, irrespective of its size under the this Facility”

Accordingly, the Operating Instructions Nos. RDD/PR-COVID19/2020/01 dated 01.04.2020 (herein after referred to as “Principal Ols”) issued by the Director, Regional Development Department of the Central Bank of Sri Lanka on “Saubagya COVID-19 Renaissance Facility” is hereby amended as follows;

1. Title of the Principal OI is repealed and the following title is substituted therefor: -
 “Addendum to the Operating Instructions for Introducing New Refinance Facility for the businesses adversely affected by the COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme: (“Saubagya COVID-19 Renaissance Facility”)
2. The First paragraph of the Principal OIs is repealed and the following paragraph is substituted therefor: -
 “This addendum to the Operating Instructions No: RDD/PR/2010/03 dated 22.03.2010 (as amended) (the Addendum) issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for the implementation of the Saubagya Loan Scheme, is issued to enable the PFIs to accommodate business affected by the COVID-19 outbreak, under the Saubagya Loan Scheme.”
3. The word “MSMEs” stated in the clauses 1.1, 1.2, 7.1, 7.2 and 9.1 of the Principal OIs is hereby repealed and the following phrase is substituted therefor: - “businesses.”
4. Clause 8.1 of the Principal OIs is hereby repealed and the following clause is substituted therefor: -

8.1 Maximum Loan Limit	Two months working capital requirement per business
------------------------	---

These amendments are deemed to have come into operation on 13.04.2020 and all other terms and conditions stipulated in the Principal OI will Remain unchanged.

Please bring the contents of this Amendment to the Operating Instructions to the notice of the officers of the relevant departments/ branches of your bank.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

Operating Instructions No: RDD/PR-COVID19/2020/02 (A-01)

Regional Development Department
Central Bank of Sri Lanka
Po Box 590
NO 30, Janadhipathi Mawatha
Colombo 1
13 April 2020

To- Licensed Banks- not registered under the Saubagya (Prosperity) Loan Scheme

Dear Sir/ Madam,

AMENDMENTS TO THE OPERATING INSTRUCTIONS OF INTRODUCING NEW REFINANCE FACILITY FOR THE MICRO, SMALL AND MEDIUM SECTOR ENTERPRISES (MSMES) ADVERSELY AFFECTED BY THE COVID-19 OUTBREAK, UNDER THE SAUBAGYA (PROSPERITY) LOAN SCHEME: "SAUBAGYA COVID-19 RENAISSANCE FACILITY."

This refers to the Operating Instructions for Introducing New Refinance Facility for the Micro, Small and Medium sector Enterprises (MSMEs) adversely affected by the COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme: ("Saubagya COVID-19 Renaissance Facility") issued on 06.04.2020.

The Central Bank of Sri Lanka, with a view to broaden the outreach and to help wider segment of the affected economic activities, has decided to;

- a) change the maximum loan limit of the "Saubagya COVID -19 Renaissance Facility" to two month working capital requirement instead of existing limit of Rs. 25 million; and,
- b) facilitate and enterprise, referred in the Section 2 (i) of the Monetary Board Circular No. 05/2020, affected by the COVID – 19 outbreak, irrespective of its size under the this facility"

Accordingly, the Operating Instructions No. RDD/PR-COVID19/2020/02 dated 06.04.2020 (herein after referred to as "Principal OI") issued by the Director, Regional Development Department of the Central Bank of Sri Lanka on "Saubagya COVID-19 Renaissance Facility" is hereby amended as follows;

1. Title of the Principal OI is repealed and the following title is substituted therefor: - "Introducing New Refinance Facility for the businesses adversely affected by the COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme ("Saubagya COVID-19 Renaissance Facility") – Operating Instructions"
2. The first paragraph of the Principal OI is repealed and the following paragraph is substituted therefor: -
"These Operating Instructions are issued to the Licensed Commercial Banks and Licensed Specialized Banks (Licensed Banks) That are not yet registered as Participating Financial Institutions (PFIs) under Saubagya (Prosperity) Loan Scheme, enabling those Banks to act as PFIs under the new refinance facility of the Saubagya Loan Scheme to support the business adversely affected by the COVID-19 outbreak."
3. The word "MSMEs" stated in the clauses 1.1, 1.4, 7.1, 7.2 and 9.1 of the following Principal OI is hereby repealed and the following phrase is substitute therefor: - "businesses"
4. Clause 8.1 of the Principal OI is hereby repealed and the following clause is substituted therefor: -

8.1 Maximum Loan Limit	Two months working capital requirement per business
------------------------	---

These amendments are deemed to have come into operation on 13.04.2020 and all other terms and conditions stipulated in the Principal OI will remain unchanged.

Please bring the contents of this Amendment to the Operating Instructions to the Notice of the relevant departments/Branches of your bank.

Yours faithfully,
M S K Dharmawardane
Director
Regional Development Department
Central Bank of Sri Lanka

Ref: 32/ 04/ 011/ 0001/ 002

20.04.2020

To: CEO/MD/GM - All PFIs

Dear Sir/ Madam

“SAUBAGYA COVID 19 RENAISSANCE FACILITY”

Operational Guideline: 01

This refers to the Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01.04.2020 and subsequent amendment No. RDD/PR-COVID19/2020/01 (A-01) dated 13.04.2020 issued by the Director, Regional Development Department of the Central Bank of Sri Lanka (CBSL).

The guidelines below are issued in order to enhance the clarity of the Operating instructions to ensure smooth implementation of the Saubagya COVID 19 Renaissance Facility.

1. Eligibility:

- (a) In terms of the Operating instructions (OI) and the subsequent amendment to OI, as referred to in the Section 2(i) of the Monetary Board Circular No. 05/2020, only micro, small and medium sized businesses including manufacturing, services, agriculture, construction, self-employment businesses and individuals and the businesses in the sectors of tourism, exports and related logistic suppliers, are eligible for this Facility.
- (b) One borrower (business) is eligible for only one loan even when the borrower has banking facilities in several banks. Hence, PFIs are required to obtain a written confirmation from the borrower that the borrower has not approached other banks for loans under the same scheme.
- (c) Further, PFIs need to assess true eligibility of the borrower based on the bank accounts maintained, including foreign currency accounts and collaterals provided.

2. Loan Size:

- (a) The maximum loan amount for an eligible borrower (business) shall be equivalent to the amount of two months working capital requirement of business concerned.
- (b) PFIs are required to properly evaluate the working capital requirements of the borrower and agree on the loan size based on the given criteria.
- (c) PFIs, when assessing fund requirement, shall confine only to obligatory expenses to be incurred during the two-month period, such as salaries/wages.
- (d) Usual components of working capital, such as raw material, etc., shall be excluded if the business is non-operational.

3. Priority:

- (a) PFIs shall give priority to applications from micro, small and medium sized businesses and businesses that are pivotal in protecting employment and production.
- (b) In this regard, first priority should be given for micro and small sized businesses which can manage with less than Rs. 10 million working capital and the second priority should be on the medium and high-medium sized businesses which can manage with a working capital of between Rs 10 million and Rs. 25 million.
- (c) Applications from other eligible businesses and businesses whose working capital requirement is above Rs 25 million should be considered on a case by case basis, depending on the importance of such businesses for employment and production, in consultation with the Regional Development Department (RDD) of CBSL.

- (d) PFIs may grant working capital loans for large businesses based on their own initiatives using additional liquidity made available through the reduction of Statutory Reserve Ratio and other relaxations introduced by the CBSL.

4. Other Requirements:

- (a) All supporting documents from eligible borrowers, that are necessary to assess the amount of working capital shall be availed of by PFIs before processing the loan.
- (b) PFIs should obtain a written assurance from the businesses using CBSL refinance facility that there will be no layoff of their employees and their jobs will be secured with suitable remuneration including EPF and ETF.
- (c) A weekly report shall be submitted to the Regional Development Department via email, vijitha@cbsl.lk and anuruddika@cbsl.lk, on Friday commencing from 24.04.2020, as per the format attached.

You are kindly requested to bring the contents of this Guideline to the notice of the officers of the relevant departments/branches in your bank.

Thank you
M S K Dharmawardena
Director

Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/PR-COVID19/2020/03

Regional Development Department
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha
Colombo 01
19.06.2020

To: All Licensed Commercial Banks registered under the Saubagya COVID-19 Renaissance Facility

ADDENDUM TO THE OPERATING INSTRUCTIONS OF THE SAUBAGYA COVID-19 RENAISSANCE FACILITY

This addendum is issued further to the Operating Instructions No: **RDD/PR-COVID19/2020/01** dated 01.04.2020 (as amended) (the Addendum) issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for the implementation of the Saubagya COVID-19 Renaissance Facility (the Facility), enabling the Licensed Commercial Banks (LCBs) participating under the Facility to accommodate the businesses affected by the COVID-19 outbreak.

1. Introduction

The intention of this Addendum is to make further provision of loans to the affected businesses by COVID-19 outbreak and following instructions shall apply in addition to the previously issued instructions in this connection.

2. Eligible Financial Institutions (PFIs)

LCBs, which are registered under the existing Saubagya COVID-19 Renaissance Facility are eligible for purposes of this Addendum.

3. Eligible businesses/ Sub-Borrowers

3.1 Businesses affected by COVID-19 outbreak, as stated in Section 2 of the Monetary Board Circular No. 05 of 2020 dated 27.03.2020.

3.2 Sub-borrowers who have already obtained refinance facilities under the Saubagya COVID-19 Renaissance facility shall not be eligible for a new loan under this Addendum.

4. Funding

Loans granted under this Addendum shall be funded by CBSL to LCBs up to a maximum amount of Rupees One Hundred and Twenty Billion, (Rs.120 bn). Total fund allocation, including Phase 1 of the Facility shall be Rupees One Hundred and Fifty Billion, (Rs 150 bn).

5. Effective Date

The effective date of this Addendum shall be 19.06.2020.

6. Submission of details Sub-borrowers to CBSL

- 6.1 The Head Office of LCB shall forward details of the sub-borrowers who wish to obtain loans under this Scheme by submitting hard copy of duly completed Loan Registration List signed by the authorised officer of the LCB on that behalf, given in Annex 1 hereto, to the Director of RDD. Soft copy of Annex 1 shall be sent to the email address issued by RDD, at the same time of submitting the hard copies.
- 6.2 LCBs shall ensure-
- (a) the accuracy and compatibility of the information provided for in Annex 1;
 - (b) the eligibility of sub-borrowers under this Scheme is duly assessed;
 - (c) all relevant documents relating to such assessment are collected; and
 - (d) that sub-borrowers have not availed of/ applied for any loan under Saubagya COVID19 Renaissance Facility from any other PFI, by obtaining written undertaking to that effect from the sub-borrower.
- 6.3 On receipt of Annex 1 from an LCB, RDD shall verify the details contained therein and determine the eligibility of sub-borrowers and the loan amount to be disbursed.
- 6.4 The deadline for submission of Loan Registration Lists to RDD shall be 31.08.2020.

7. Releasing Funds to LCBs

- 7.1 Upon RDD's confirmation on the eligibility of and the approved loan amount to be disbursed to sub-borrowers given in Annex 1 above, LCB shall submit to RDD duly completed promissory note according to the format issued hereunder as Annex 2, to the approved value of the total loan amount to be disbursed as referred to in Clause No. 6.3 above.
- 7.2 The promissory note submitted by LCB shall be secured by the following instruments:
- (a) Negotiable Treasury Bills, Promissory Notes, Debentures, Bonds, Guarantees, or other negotiable securities of the Government;
 - (b) Gold coins or bullion;
 - (c) Any other credit instrument as may be determined by CBSL from time to time.
- 7.3 Applicable haircut of the secured instrument/s shall be Ten per centum (10%). CBSL shall reserve the right to vary such haircut from time to time. Any shortfall in the haircut of the secured instrument/s shall be replenished immediately.
- 7.4 RDD shall determine the admissibility of the promissory note submitted by an LCB and disburse the total value stated therein.
- 7.5 The funds disbursed under 7.4 above shall be for a period of 180 days at the interest rate of One per centum per annum (1% p.a.). Immediate fresh facilities to be made available by
CBSL at the maturity on the submission of similar fresh promissory notes. Value of the fresh promissory note will be notified by the CBSL.
- 7.6 In addition to the above, CBSL may discount promissory notes and other credit instruments offered by LCBs having maturities of not more than 270 days enabling such LCBs to lend to the sectors namely, production, manufacture, or processing of agriculture, livestock, mineral, or industrial products.
- 7.7 It shall be the duty of LCBs to ensure disbursement of the said loan amount to individual sub-borrowers, eligible under this Addendum, within one (01) week from the date of the disbursement made by CBSL.
- 7.8 The repayment period for sub-borrowers shall be maximum duration of twenty-four (24) months including the grace period of six (6) months. Sub-borrowers are required to pay interest during the grace period.

8. Reporting

LCBs are required to report to CBSL on fortnightly basis on the utilisation of funds obtained under this Addendum, as per the format prescribed by RDD, as at 15th and 30th of each month within 3 working days.

9. Monitoring

RDD and Bank Supervision Department of CBSL shall jointly monitor the implementation of this loan scheme under this Addendum.

10. Other

The Director, RDD of CBSL reserves the right to revise the terms and conditions stipulated in this Addendum as and when necessary.

In the event of any inconsistency between the requirements of this Addendum and any other Operating Instructions/Addendum issued under Saubagya COVID-19 Renaissance Facility, requirements of this Addendum shall prevail.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

**Operating Instructions No: RDD/PR-COVID 19/2020/01 - (A-02) &
RDD/PR-COVID 19/2020/02 - (A-02)**

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo I .
24.06.2020

To: All Licensed Specialised Banks registered under the "Saubagya COVID 19 Renaissance Facility"

Dear Sir/Madam,

Amendments to the Operating Instructions of "Saubagya COVID-19 Renaissance Facility"

This refers to the Addendum to the Operating Instructions for Introducing New Refinance Facility for the businesses adversely affected by the COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme: ("Saubagya COVID-19 Renaissance Facility") issued on 01.04.2020 and 06.04.2020 including any amendment/s made time to time and the Circular No. 04, 05 and 06 of 2020 issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL).

Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01.04.2020 and No. RDD/PRCOVID19/2020/02 dated 06.04.2020 and the amendments including any amendment/s made time to time (herein after referred to as "OIs") issued by the Director, Regional Development Department of the CBSL on "Saubagya COVID-19 Renaissance Facility" is hereby amended only effect for the Licensed Specialised Banks (LSBs) as follows;

Section 9 of Principal OIs is amended as follows:

9.2. The final deadline for the submission of Loan Registration Forms by the LSBs to the RDD has been extended till 31.08.2020.

Accordingly, bank can collect loan applications from eligible sub-borrowers up to the deadline of submission of Loan Registration Forms.

Other clauses of Section 9 remain unchanged.

Please bring the contents of this Amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

Operating Instructions No: RDD/CGIS/WCL/2020/01

Regional Development Department
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha
Colombo 01
30.06.2020

To: All Participatory Financial Institutions

OPERATING INSTRUCTIONS FOR IMPLEMENTING A CREDIT GUARANTEE AND INTEREST SUBSIDY SCHEME FOR BUSINESSES AFFECTED BY THE COVID-19 PANDEMIC

This Operating Instructions (OIs) No: RDD/CGIS/WCL/2020/01 dated 30.06.2020 is issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) to all Participatory Financial Institutions (PFIs) to introduce and implement a Credit Guarantee and Interest Subsidy Scheme (herein after referred to as "the Scheme"), to accelerate lending by banks to businesses adversely affected by the COVID-19 pandemic.

1. Introduction

- 1.1 CBSL, having identified the national importance of reviving the businesses adversely affected by the COVID-19 pandemic, decided to implement the Scheme to accelerate lending by banks to affected businesses. This scheme will operate in parallel with the 'Saubagya COVID-19 Renaissance Facility' and the new Facility approved by the Monetary Board under Section 83 of the Monetary Law Act, within the already announced threshold of Rs. 150 billion.
- 1.2 PFIs are expected to use their own funds to grant loans to address working capital requirements of the affected businesses at a concessionary interest rate. Interest Subsidy will be provided to PFIs to cover the cost of funds of PFIs and a credit guarantee as a risk sharing tool, against loans granted under the Scheme.
- 1.3 PFIs are eligible to claim interest subsidy and credit guarantee from CBSL for the sub loans granted to the sub-borrowers under the Scheme.
- 1.4 RDD of the CBSL has been vested with the authority to operate the Scheme as the implementing agency.

2. Funding

This Scheme will be funded by the CBSL and the Government.

3. Participatory Financial Institutions (PFIs)

Existing PFIs under the "Saubagya COVID-19 Renaissance Facility" will be considered as eligible PFIs for the Scheme.

4. General features of the Scheme

4.1 Eligible Businesses	<p>(i) Any business adversely affected by the COVID - 19 outbreak, as stated in the Section 2 of the Monetary Board Circular No. 5 of 2020, will be eligible. Accordingly, eligible businesses are the businesses with an annual turnover below Rupees one billion (Rs. 1 bn.). However, Rupees one billion (Rs. 1 bn.) limit of annual turnover will not be applicable to any business engaged in tourism, exports and related logistical supplies.</p> <p>(ii) Two months working capital requirement will only be considered under this Scheme.</p>
4.2 Maximum Loan Limit	(i) Maximum of Rupees twenty-five million (Rs. 25 mn.) per sub-borrower or a business entity
4.3 Interest Rate applicable to the sub-borrower	<p>(i) Four per centum per annum (4% p.a.)</p> <p>(ii) PFIs shall not, in any circumstance, grant any loan under the scheme to the sub-borrowers at a rate higher than four per centum per annum (4% p.a)</p>
4.4 Interest Subsidy	(i) CBSL provides five per centum per annum (5% p.a) for each sub-loan granted by PFIs

4.5 Grace Period	(i) Maximum of six (06) months depending on the nature of the business (ii) Sub-borrowers are required to service the interest during the grace period
4.6 Repayment Period	(i) Maximum duration of loan repayment is twenty-four (24) months including the grace period
4.7 Extent of Guarantee Cover	Guarantee cover is based on the loan size as follows; 80% - below Rs. 0.5 million 70% - Rs. 0.5 million to Rs. 1 million 60% - Rs. 1 million to Rs. 10 million 50% - Rs. 10 million to 25 million
4.8 Guarantee Premium	Zero point five per cent (0.5%) of the total sub-loan amount
4.9 Collateral	(i) PFIs are requested to grant loans considering the viability and the cash flows of the business rather than collateral.

5. Registration of sub-borrowers

- 5.1 PFI shall place the date stamp on the loan application received from the sub-borrower and assign to it a reference number. A formal acknowledgement shall be made to the sub-borrower on the same day.
- 5.2 PFI shall process the loan application within seven working days of the receipt of the application and inform the acceptability or otherwise of such application.
- 5.3 The Head Office of the PFI shall forward details of the sub-borrowers, **eligible to obtain loans under the Scheme**, by submitting duly completed Loan Registration List (**Annex I**) signed by the authorised officer of the PFI to the RDD. Soft copy of Annex I shall be sent to the email address issued by the RDD, along with hard copy.
- 5.4 PFIs shall ensure;
 - (a) the accuracy and compatibility of the information provided in **Annex I**;
 - (b) the eligibility of sub-borrowers under the Scheme is duly assessed; and
 - (c) that all relevant documents relating to such assessment are collected.
- 5.5 On receipt of **Annex I** from the PFI, CBSL will verify the details contained therein and determine the eligibility of sub-borrowers and the loan amount to be disbursed. Accordingly, CBSL will register the eligible sub-borrowers under the Scheme.
- 5.6 Upon registration of a sub-borrower, CBSL allocate a designated Registration Number for each sub-loan and notify such Registration Number to the Head Office of the respective PFI. This Registration Number, unique for each sub-borrower, shall be used for any correspondence with the CBSL with respect to such borrower.
- 5.7 If CBSL observes any discrepancy and/or inaccuracy of information submitted in **Annex I**, CBSL reserves the right to cancel the registration of the respective sub-borrower whose information is found to be inaccurate, without any prior notice to the PFI.
- 5.8 The CBSL reserves the right to refer back the registration application to the PFI, in the event any further information or clarification is required by CBSL, for the purpose of registering such application.
- 5.9 PFIs shall keep all supporting documents and records, in the event any further inspection or clarification is required under Section 5.5 above.
- 5.10 The deadline for submission of Loan Registration Lists as per **Annex I** to the RDD shall be 31.08.2020.

6. Release of sub-loans

- 6.1 Upon receipt of Registration Numbers from CBSL, PFI shall release sub-loans to the registered eligible sub-borrowers as given in **Annex I**, within 7 working days from the date of such receipt.
- 6.2 If any PFI is unable to disburse sub-loans registered with CBSL within the period as given in Section 6.1 above, PFI shall immediately inform CBSL of such facts with valid reason/s within 7 working days. CBSL may consider the reasons given by the PFI and take appropriate decisions/actions.

- 6.3 Any failure of the PFI to disburse sub-loans or to provide valid reasons to CBSL within 30 calendar days of such registration, may cause cancellation of the registration of sub-borrowers by CBSL, without any prior notice to the PFI.

7. Payment of Interest Subsidy

- 7.1 The CBSL will provide an interest subsidy of five per centum per annum (5% p.a.) for sub-loans granted by PFIs under the Scheme, subject to the terms and conditions stipulated in this OIs.
- 7.2 In order to be qualified for the interest subsidy under the Scheme, PFIs are required to provide loans to the eligible sub-borrowers at the rate of interest specified in Section 4.3 above at all times, whilst complying with Section 4.7 of this IOs.
- 7.3 PFI shall not be eligible to receive interest subsidy or credit guarantee by the CBSL for any sub-loan granted under the Scheme, if not complied with any condition stipulated herein.
- 7.4 The interest subsidy provided by the CBSL shall be subject to the following conditions;
- 7.4.1 PFIs shall release sub-loans registered by the CBSL subject to Section 6.1 above and duly completed **Annex II** shall be forwarded to CBSL with the guarantee premium of zero point five per cent (0.5%) for each sub-loan, within 30 calendar days from the date of the loan released.
- 7.4.2 PFI shall submit the duly completed **Annex III** to the CBSL semi-annually, through the Head Office, adhering to the deadline/s given in Section 7.4.4 of this OIs. Both soft and hard copies of such applications shall be submitted to the CBSL.
- 7.4.3 Interest subsidy will be provided semi-annually, calculated on a monthly basis using the Reducing Balance Method and Actual/ 365-day count basis. Payment of interest subsidy relating to each sub-borrower is based on the capital outstanding calculated using the repayment schedule by the CBSL.
- 7.4.4 Duly completed **Annex III** hereto shall be submitted to the CBSL on or before the 15th day of the month of July and January in each year for consideration of releasing interest subsidy under the Scheme.
- 7.4.5 Hard copy of **Annex III** shall be forwarded to the "Director, Regional Development Department, Central Bank of Sri Lanka, No. 30, Janadhipathi Mawatha, Colombo 01" and a soft copy of the same shall be sent to the e-mail address provided by the CBSL.
- 7.4.6 The CBSL releases the interest subsidy, in terms of Section 4.4 of this OIs, to the PFI within thirty calendar (30) days after receiving duly completed **Annex III** above.
- 7.4.7 The CBSL reserves the right to suspend the interest subsidy application of any PFI, in the event that further clarifications are required to be made available. Further, the CBSL has the authority to reject any interest subsidy application which is not in compliance with this OIs.
- 7.4.8 The CBSL reserves the right to adjust over/under payment, if any, from the impending interest subsidy payments.
- 7.4.9 The interest subsidy will only be provided for a maximum period of twenty-four (24) months for each sub-loan.
- 7.4.10 In the event if the PFI claims credit guarantee relating to a sub-borrower within the twenty four (24) months repayment period, the payment of interest subsidy will be paid only up to the date of guarantee claim.

8. Credit Guarantee

8.1 Guarantee Cover

The Guarantee cover becomes effective from the date of the Guarantee premium paid by the PFI to the CBSL.

- (b) The Guarantee cover will cease to be operative if, in the opinion of the CBSL, the PFI has failed to exercise due care and prudence or has been negligent in the disbursement of the loan, and/or has been monitoring the account without any effective recovery process/actions.

8.2 Payment of Guarantee Premium

- (a) The premium payable to the CBSL shall be calculated at the rate of zero-point five percent (0.5%) from the value of the sub-loan amount released to any eligible sub-borrower under the Scheme.
- (b) Failure of servicing the guarantee premium to the CBSL shall be a reason for disqualifying a PFI to claim the guarantee cover.
- (c) The credit guarantee will cease to be operative at the end of the repayment period of twenty-four (24) months, unless extended.
- (d) The premium statement (**Annex II**) shall be sent to the "Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01", together with the premium due thereon.

- (e) Payment of premium shall be made by way of a cheque written in favor of the **“Director, Regional Development Department of the Central Bank of Sri Lanka”** or through the RTGS, to the credit of **RDD Bank Account No. 2-54518**.
- (f) The cost of premium for the Credit Guarantee shall be borne by the PFI and shall not be passed on to the sub-borrower.

9. Obligations of the PFIs

- 9.1 PFIs shall, take all reasonable steps to assess the ability of revival of the affected business before registering/granting the loan.
- 9.2 PFIs shall, at all times, exercise due care and prudence in disbursing the loan to the sub-borrower and ensure that the loan is utilized for the purpose it has been granted.
- 9.3 PFIs shall also supervise the status and operations of the account of sub-borrowers and take prompt actions where necessary, to minimize any losses to the PFI.
- 9.4 PFIs shall take necessary and adequate measures to recover the loans granted under the Scheme.
- 9.5 PFIs shall pay premium to the CBSL in terms of Section 8.2 of this OIs.
- 9.6 PFIs shall keep records and furnish data and information requested by the CBSL on a weekly basis, using the templates given by the CBSL or otherwise.
- 9.7 PFI is not permitted to write off any sub-loan granted under the Scheme without prior written approval of the CBSL.

10. Obligations of the CBSL

- 10.1 The CBSL issues the OIs of the Scheme to PFIs and make amendments as and when necessary.
- 10.2 The CBSL makes interest subsidy payments semi-annually to PFIs.
- 10.3 The CBSL issues Guarantee covers to each PFI with regard to the eligible sub-borrowers provided that the PFI has paid guarantee premium in terms of the Section 8.2 of this OIs.
- 10.4 The CBSL monitors/evaluates the progress of the Scheme and implements policy actions as and when necessary.
- 10.5 The CBSL reserves the right to revoke any credit guarantee issued to a PFI, if such PFI has failed or violated or been negligent to comply with any requirement, or terms and conditions of the Scheme or when imprudent practices are revealed.

11. Reporting Default Loans

- 11.1 If any sub-loan or an installment thereof is not repaid by the sub-borrower on due date, PFI shall take prompt and effective action to recover such loans or arrears from the sub-borrower/s in a timely manner.
- 11.2 When loans granted under the Scheme are classified as non-performing loans (NPL) in accordance with “Banking Act Directions No.03 and 04 of 2008 on Classification of Loans, Income Recognition and Provisioning”, the PFI shall submit a report to the CBSL giving the status of each sub borrower. The report shall include the following information
 - 11.2.1 An assessment of problem/s faced by the sub-borrower;
 - 11.2.2 An assessment of the sub-borrower’s capacity to repay the loan;
 - 11.2.3 Steps taken by the PFI to recover the loan and future steps contemplated;
 - 11.2.4 The opinion of the PFI with regards to status of recovery / rehabilitation; and
 - 11.2.5 Such other information as may be required by the CBSL.

12. Claim Procedure

- 12.1 Where any amount of sub-loan is in default and/or the sub-borrower is unable to comply with requirements of Section 11 of this OIs, the PFI shall send the Demand Notice to the sub-borrower within 30 calendar days from the date of transferring the respective loan to the NPL category.
- 12.2 Subsequently, the PFI shall submit a claim to the RDD after expiry of one month, but not later than two months from the date of which the Demand Notice is served to the sub-borrower.
- 12.3 Certified copies of the Demand Notice issued to the sub-borrower and evidence of the undertaking to initiate legal action shall accompany when sending the claim application (Annex IV).
- 12.4 The CBSL settles the applicable guaranteed amount in two (02) installments subject to Section 12.5 and 12.6 of this OIs.

- 12.5 Upon receipt of Annex IV, the CBSL pays the first installment i.e. fifty percent (50%) of the guaranteed amount based on the outstanding amount of the sub-loan.
- 12.6 PFIs shall implement recovery actions against all defaulted sub-borrowers. PFI shall refer the defaulted sub-loans below Rs. 500,000 to the Mediation Board shall take necessary legal actions against defaulted sub-loans above Rs. 500,000.
- 12.7 The CBSL reserves the right to demand the amount already paid, if the CBSL found that the PFI has failed or being negligent in the exercise of necessary supervision and actions as required under this OIs.
- 12.8 After the payment of first installment, the CBSL pays the final installment, once the PFI furnishes the duly completed Annex V to the CBSL with the case numbers arising from legal/recovery action, within six (06) months from the payment of first installment mentioned in Section 12.5 above.

13. Recovery Action

- 13.1 PFIs shall have a proper internal control mechanism in place to monitor the recovery of sub-loans under the Scheme, notwithstanding the availability of the credit guarantee.
- 13.2 PFIs shall endeavor to take immediate and effective action to recover any overdue amount and to keep the CBSL informed of the actions taken and progress of the business as and when advised.
- 13.3 PFIs shall take any action that may be suggested by the CBSL for the purpose of effecting recovery action against defaulted sub-borrowers. PFIs shall not discontinue the recovery action that has already been taken against such sub-borrowers, even after obtaining the credit guarantee under the Scheme.

14. Post Claim Recoveries

- 14.1 The recoveries, if any, made by PFIs from the sub-borrowers, after obtaining the credit guarantee, shall be shared between the CBSL and the PFI in the proportion of 80:20, 70:30, 60:40 and 50:50, as appropriate. For this purpose, the prescribed format is given in Annex VI. Duly completed Annex VI shall be submitted by the PFI to the CBSL semi-annually within 30 calendar days from 30th June and 31st December each year.
- 14.2 PFIs shall maintain a register indicating the total guarantee amount received from the CBSL and the recoveries etc., and the register must be made available to any officer authorized by the CBSL.
- 14.3 The legal expenses incurred on recovery of defaulted sub-loans shall have the first charge on the amount recovered from the sub-borrowers and the balance amount shall be shared with the CBSL at the rate specified in Section 14.1 above.

15. Inspection

- 15.1 As may be necessary for the purpose of the Scheme, the CBSL has the right to inspect books of accounts and other records of PFIs pertaining to any loan guaranteed under the Scheme.
- 15.2 PFIs shall make it a condition of each sub-loan that the sub-borrower shall submit to the CBSL such documents, books of accounts as may be requested in relation to the activity financed under the Scheme and permit the officers authorized by the CBSL to inspect the business, as and when necessary.
- 15.3 The CBSL reserves the right to revoke the guarantee cover and/or any payment made in settlement of claims if it is found that PFI has violated the terms and conditions of the Scheme.

16. Furnishing of Returns and Information

The PFI shall submit such returns and furnish such information relating to any loan guaranteed under the Scheme to the CBSL as requested.

17. Modification and Supplementary Provisions

- 17.1 The CBSL reserves the right to modify or withdraw the Scheme without affecting the rights or obligations arising out of any guarantee issued under the Scheme.
- 17.2 In respect of any matter not specifically provided in the Scheme, the CBSL makes such supplementary or additional provisions as may be necessary for the purpose of the Scheme.

The Scheme will be effective from the date of 1 July 2020

Director
Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/PR/2010/03 (A-05)

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo 1.
30.06.2020

To: All Participating Financial Institutions (PFIs)

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE PROSPERITY LOAN SCHEME (SAUBAGYA)
REDUCTION OF THE INTEREST RATE APPLIED FOR SUB-LOANS**

This refers to the Operating Instructions (OIs) No. RDD/PR/2010/03 (as amended) dated 22.03.2010 issued by the Director, Regional Development Department of the Central Bank of Sri Lanka (CBSL) for the Prosperity Loan Scheme (Saubagya).

Considering the reduction in interest rates in the market, the CBSL decided to amend the Section 3.6 and 3.7 of OIs No. RDD/PR/2010/03 (as amended) dated 22.03.2010 as follows;

3.6	3.6.1	Rate of interest on refinance loans to PFIs	: 3 per cent per annum
	3.6.2	Interest margin for PFIs	: 3 per cent per annum
3.7		Rate of interest for sub-loans	: 6 per cent per annum

Other clauses of the OIs remain unchanged.

These amendments will be effective from 01 July 2020.

Please bring the contents of this amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

Regional Development Department
Central Bank of Sri Lanka
NO.30, Janadhipathi Mawatha
Colombo 1.
01.07.2020

To: CEO/MD/GM: All Licensed Commercial Banks (LCBs) registered under the saubagya COVID – 19 Renaissance Facility

Dear Sir/Madam,

THE SAUBAGYA COVID – 19 RENAISSANCE FACILITY

This refers to the operating instructions (OIs) Nos: RDD/PR-COVID - 19/2020/03 and RDD/PR-COVID 19/2020/04 dated 19.06.2020 issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL), relating to the provision of advances to Commercial Banks in terms of provisions of section 83(1) of the Monetary Law Act (MLA) to facilitate funding for the Saubagya COVID – 19 Renaissance Facility.

2. We would like to inform you that the monetary board granted approval to permit the LCBs to pledge the following assets to secure the promissory notes to be submitted to the CBSL in support of saubagya COVID - 19 Renaissance Facility, under section 83(1)(c) of the MLA :-

- I. Government securities (Treasury bills, Treasury bonds and Sri Lanka Development Bonds);
- II. Gold and Bullion; and
- III. Performing Loan Receivable Classified as stage 01 of SLFRS9 including the pawning portfolio of respective LCBs

Relevant loan agreement, pledge agreements and amendments to the OIs will be informed to the participating banks in due course.

3. Considering the urgent need for disbursement of funds and also the requests made by LCBs upon the RDD's confirmation on the eligibility of and approved loan amounts to be disbursed to sub-borrowers, LCBs may disburse loans at 4 per cent interest rate to the sub-borrowers under the above facility even before obtaining financing from the CBSL.

Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

Operating Instructions No: RDD/PR-COVID19/2020/03 and 04 (A-01)

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo 1.
08.07.2020

To: All Licensed Commercial Banks (LCBs) registered under the Saubagya COVID-19 Renaissance Facility

AMENDMENT TO THE OPERATING INSTRUCTIONS OF "SAUBAGYA COVID-19 RENAISSANCE FACILITY"

This refers to the Addendum to the Operating Instructions (OIs) No. RDD/PR-COVID-19/2020/03 and 04 dated 19.06.2020 issued by the Director, Regional Development Department of the Central Bank of Sri Lanka (CBSL) for the Saubagya COVID- 19 Renaissance facility.

Considering the importance of expeditious implementation of the above Facility and the requests made by the Licensed Commercial Banks (LCBs), pledging instruments that can be submitted to secure the Promissory Notes are hereby further clarified. Accordingly, Sections 7.1 to 7.4 of the OIs No. RDD/PR-COVID19/2020/03 and 04 issued on 19.06.2020 are hereby amended as follows;

1. "Releasing Funds to LCBs" specified in Section 7.1 of the OIs shall be repealed and substituted therefor;
 - 7.1 Upon RDD's confirmation on the eligibility of and the approved loan amount to be disbursed to sub-borrowers, LCB shall submit to RDD duly completed Loan Agreement (Annex A-OI -I) along with following schedules;
 - a) Details of approved loans disbursed/to be disbursed to the sub borrowers (Schedule I).
 - b) The Promissory Note (Schedule II) to the approved value of the total loan amount given in 7. 1 (a) above.
2. "Releasing Funds to LCBs" specified in Section 7.2 of the OIs shall be repealed and substituted therefor;
 - 7.2.1 The Promissory Note submitted with the Loan Agreement by LCB shall be secured by the following instruments;
 - a) Government Securities (Treasury Bills, Treasury Bonds and Sri Lanka Development Bonds (SLDBs)).
 - b) Gold and bullion.
 - c) Performing loan receivables classified as stage 1 of SLFRS9 including the pawning portfolio of respective LCBs.
 - 7.2.2 Each Promissory Note submitted along with the Loan Agreement under Saubagya COVID19 Renaissance Facility-Phase 2 shall be secured by the securities specified in 7.2.1 above and be accompanied with a Loan Agreement with schedules described therein and following Pledge Agreement/s depending on the applicable Securities.
 - a) Pledge Agreement for Treasury Bills (Annex A-01-II)
 - b) Pledge Agreement for Treasury Bonds (Annex A-01-III)
 - c) Pledge Agreement for SLDBs (Annex A-01-IV)
 - d) Pledge Agreement for Gold and bullion (Annex A-01-V)
 - e) Pledge Agreement for loan receivables including pawning portfolio (Annex A-01 -VI)
 - 7.2.3 In order to expedite the process, LCBs are required to provide the details of instruments which are expected to be pledged for each promissory note submitted with the Loan Agreement, as in Annex A-OI -VII , to the CBSL through email before submitting the promissory note.
 - 7.2.4 LCBs should adhere to the procedures described in the Loan Agreement and pledged agreements.

3. "Releasing Funds to LCBs" specified in the Section 7.3 of the OIs shall be repealed and substituted therefor;
- 7.3.1 The face value of the pledged Treasury Bills and Treasury Bonds shall be determined by the Lender based on the short term/ long term price calculation used by them to determine the pricing of government securities and inform the Borrower.
 - 7.3.2 Face value of the pledged SLDBs should be determined by the following formula;
Face Value (In USD Term) = Loan Amount X 1.05/ SPOT exchange Rate(LKR/USD)
 - 7.3.3 Applicable haircut of the secured instrument/s except Government securities shall be Ten per centum (10%).
 - 7.3.4 CBSL shall reserve the right to vary such haircut from time to time. Any shortfall in the haircut of the secured instrument/s shall be replenished immediately.
 - 7.3.5 When Treasury Bills and Treasury Bonds are required to be pledged by LCBs, they shall enter details of such Treasury Bills and Treasury Bonds with the CBSL electronically, through the Online Electronic Bidding System (OEBS) and the remaining days to maturity of such pledged securities shall not be less than the maturity period of the loan provided by the CBSL.
4. "Releasing Funds to LCBs" specified in the Section 7.4 of the OIs shall be repealed and substituted therefor;
- 7.4 On the receipt of duly completed hard copies of the schedules and the loan agreement from an LCB, RDD will make arrangements to credit the loan amount to the current accounts of the respective LCBs at the CBSL after verifying the accuracy of the pledged agreement. However, funds shall not be credited on the same day unless the hard copies of the duly completed schedules and agreements are received before 12.00 hrs. of that day.

Other clauses of the OIs remain unchanged.

Please bring the contents of this Amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,
M S K Dharmawardane
Director
Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/PR-COVID19/2020/03 and 04 (A-02)

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo 1.
10.07.2020

To: All Licensed Commercial Banks (LCBs) registered under the Saubagya COVID-19 Renaissance Facility

AMENDMENT TO THE OPERATING INSTRUCTIONS OF "SAUBAGYA COVID-19 RENAISSANCE FACILITY"

This refers to the Addendum to the Operating Instructions (OIs) No. RDD/PR-COVID19/2020/03 and 04 dated 19.06.2020 (as amended time to time) issued by the Director, Regional Development Department of the Central Bank of Sri Lanka (CBSL) for the Saubagya COVID-19 Renaissance Facility.

Considering the importance of expeditious implementation of the above Facility, Section 3.2 of the OIs No. RDD/PR-COVID19/2020/03 and 04 issued on 19.06.2020 (as amended) is hereby amended as follows;

1. "Eligible Business/Sub borrowers" specified in the Section 3.2 of the OIs shall be repealed and substituted therefor;
- 3.2 Sub-borrowers who have already obtained loans under the Saubagya COVID-19 Renaissance facility (Phase I) shall be eligible for an enhancement under Phase II, subject to the condition that the cumulative loan amount under the Phase I and II is limited to the lower of the two months working capital requirement per business/borrower or Rupees Twenty-Five Million (Rs. 25 mn)

Other clauses of the OIs remain unchanged.

Please bring the contents of this Amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,
M S K Dharmawardane
Director
Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/SWASHAKTHI/2017/01 (A-02)

Regional Development Department
Central Bank of Sri Lanka
P.O. Box 590
No.30, Janadhipathi Mawatha
Colombo 01.
16 July 2020

To: All PFIs

Dear Sir/Madam,

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF “SWASHAKTHI – TOWARDS
ONE MILLION JOBS”: LOAN SCHEME**

All Participating Financial Institutions (PFIs) of the Swashakthi Loan Scheme are hereby informed that the Operating Instructions No. RDD/SWASHAKTHI/2017/01 dated 09.02.2017, (herein after referred to as “**Principal OI**”), issued by the Director, Regional Development Department of the Central Bank of Sri Lanka is amended as follows;

1. **Clause 1** of Principal OI is hereby repealed and the following clause is substituted therefor:-

1. **Introduction**

“The Central Bank of Sri Lanka (CBSL) and the Ministry of National Policies and Economic Affairs (MNP&EA) have jointly designed and introduced a Loan Scheme, named “Swashakthi” for the Micro, Small and Medium scale Enterprise (MSME) sector Development and Employment Generation, on behalf of the Government of Sri Lanka (GOSL). The main objective of the scheme is to generate employment opportunities, via providing financial support for both new entrants and existing entrepreneurs who are engaged in income generating activities in the Agriculture and Livestock, Industrial and Services sectors. Under this scheme, a special focus will be given to new young entrepreneurs.”

2. **Clause 4.3.1 (a) & (b)** of Principal OI is hereby repealed and the following clause is substituted therefor:-

“4.3.1. a) for a New Young entrepreneur

- Maximum loan of Rs. 450,000/- and
- Maximum grant of Rs. 50,000/-

b) for a New entrepreneur

- Maximum loan of Rs. 200,000/- and
- Maximum grant of Rs. 50,000/-

c) for an existing entrepreneur

- Maximum loan of Rs. 250,000/- and
- No grant”

3. **Clause 4.4.1** of Principal OI is hereby repealed and the following clause is substituted therefor:-

“This financial grant will be provided only for start-up businesses/ new entrepreneurs at the time of disbursing the loan/first installment of the loan at one stretch to meet the preliminary expenses of the project. This amount will be initially provided by the PFI to the Sub-borrower and CBSL will reimburse these funds to the PFI.

Grant Amount : (a) for loans amounting to Rs. 200,000/- and above: financial grant is Rs. 50,000/-.

(b) for loans amounting to less than Rs. 200,000/- : financial grant is an amount equivalent to 25% of the loan.”

4. **Clause 4.6** of Principal OI is hereby repealed.

5. **Clause 4.7** of Principal OI is hereby repealed and the following clause is substituted therefor:-

“4.7 Target Group

4.7.1. New entrepreneurs, who are capable and willing to take challenges and risk by engaging in new MSMEs.”

4.7.2. Start-up business with new business ideas based on resources in their villages, IT based products and economic activities.

4.7.3. Young entrepreneurs (aged between 18 – 40), who are willing to utilize their existing skills and talents in their own new enterprises/start-up businesses will be given the priority.”

6. **Clause 8** of Principal OI – Small Enterprises Development Division (SED)
- **Paragraph (h)** is hereby repealed.
7. **Clause 8** of Principal OI – Participating Financial Institutions (PFIs)
- **Paragraph (f) (i)** is hereby repealed and the following clause is substituted therefor:-
"Prepare Registration Applications: for (i) sub-loan and grant in respect of each eligible applicant (New Entrant) as in Annex V(A) and,
 - **Paragraph (g)** is hereby repealed and the following clause is substituted therefor:-
"Disburse sub-loan and/or grant to eligible applicants, after RDD confirmed the registration of the loan and grant."
 - **Paragraph (i)** is hereby repealed and the following clause is substituted therefor:-
"Submit reimbursement applications for claims of Grant to RDD along with the SED's approval through the Head Office of the PFI within 30 days of the disbursement of Grants. The reimbursement application for Grants should be accompanied by the following documents.
a. Application for Grant (Annex VI(A-2)) (Attached the Amendment)
b. Application for Grant – Statement of Grant Disbursement (Annex VI(AA-2)) (Attached the Amendment)
 - **Paragraph (k)** is hereby repealed and the following clause is substituted therefor:-
"Submit the reimbursement application for grant claims and the refinance application for sub-loans for same together in one set of applications."
 - **Paragraph (n) & (O)** are hereby repealed.
- * This amendment to the Operating Instructions of the Swashakthi Loan Scheme will be effect from **16.07.2020**.
- * All other terms and conditions of Principal Operating Instructions of the Loan Scheme will remain unchanged.
- * The Amendment No. RDD/SWASHAKTHI/2017/01 (A-01), dated 09.10.2017 is hereby revoked with effect from **15.07.2020**.
- * Please bring the contents of this Amendment of the Operating Instructions to the notice of the relevant officers.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

For Your Urgent Attention

Ref No. 32/04/011/0001/002

30 July 2020

General Manager/CEO of all Participatory Financial Institutions

Dear Sir/Madam,

**GRANT OF LOANS TO PRIVATE BUS OWNERS IN PUBLIC TRANSPORT FOR MEETING BUS REPAIR EXPENSES
UNDER THE SAUBAGYA COVID – 19 RENAISSANCE FACILITY – PHASE III – CREDIT GUARANTEE
AND INTEREST SUBSIDY SCHEME**

We wish to draw your attention to the Section 4.1 of the Operating Instructions No: RDD/CGIS/WCL/2020/01 dated 30.06.2020 on Implementing a Credit Guarantee and Interest Subsidy Scheme for Businesses affected by the COVID – 19 Pandemic, issued by the Regional Development Department.

Please note that the Private bus owners in public transport are included within the Eligible Businesses stipulated under section 4.1 of the Operating Instructions No: RDD/CGIS/WCL/2020/01. Further, bus repair expenses fall within the definition of working capital of the said operating instructions.

Accordingly, you are hereby instructed to accommodate requests for loans by Private bus owners in public transport for meeting their bus repair expenses under the Saubagya COVID – 19 Renaissance Facility – Phase iii – Credit Guarantee and Interest Subsidy Scheme.

Your urgent attention in this regard is highly appreciated.

Yours faithfully,

Director

**Regional Development Department
Central Bank of Sri Lanka**

Operating Instructions No: RDD/PR-COVID-19/2020/01 - 02 (A-03)

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo 01.
25.08.2020

To: All Licensed Specialised Banks registered under the “Saubagya COVID 19 Renaissance Facility”

AMENDMENTS TO THE OPERATING INSTRUCTIONS OF “SAUBAGYA COVID-19 RENAISSANCE FACILITY”

This refers to the Addendum to the Operating Instructions for Introducing New Refinance Facility for the businesses adversely affected by the COVID-19 Outbreak, under the Saubagya (Prosperity) Loan Scheme: (“Saubagya COVID-19 Renaissance Facility”) issued on 01.04.2020 and 06.04.2020 including any amendment/s made time to time and the Circular No. 04, 05 and 06 of 2020 issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL).

Operating Instructions No. RDD/PR-COVID19/2020/01 dated 01.04.2020 and No. RDD/PRCOVIDI 9/2020/02 dated 06.04.2020 and including any amendment/s made time to time (herein after referred to as “OIs”) issued by the Director, Regional Development Department of the CBSL on “Saubagya COVID-19 Renaissance Facility” is hereby amended only effect for the Licensed Specialised Banks (LSBs) as follows;

Section 9 of Principal OIs is amended as follows:

9.2. The final deadline for the submission of Loan Registration Forms by the LSBs to the RDD has been extended till 30.09.2020.

Accordingly, bank can collect loan applications from eligible sub-borrowers up to the deadline of submission of Loan Registration Forms.

Other clauses of Section 9 remain unchanged.

Please bring the contents of this Amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,
M S K Dharmawardane
Director
Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/PR-COVID 19/2020/03-04 (A-03)

Regional Development Department
Central Bank of Sri Lanka
P.O. Box 590
No.30, Janadhipathi Mawatha
Colombo 01.
25.08.2020

To: All Licensed Commercial Banks registered under the “Saubagya COVID 19 Renaissance Facility”

AMENDMENTS TO THE OPERATING INSTRUCTIONS OF “SAUBAGYA COVID-19 RENAISSANCE FACILITY”

This refers to the Addendum to the Operating Instructions (OIs) No RDD/PR-COVID19/2020/03 —04 dated 19.06.2020 (as amended), issued by issued by the Director, Regional Development Department of the Central Bank of Sri Lanka (CBSL), of the Saubagya COVID-19 Renaissance Facility.

Operating Instructions No. RDD/PR-COVID19/2020/03 and 04 dated 19.06.2020 and including any amendment/s made time to time (herein after referred to as “OIs”) issued by the Director, Regional Development Department of the CBSL on “Saubagya COVID-19 Renaissance Facility” is hereby amended only effect for the Licensed Commercial Banks (LCBs) as follows;

Section 6 of Principal OIs is amended as follows:

6.4 The deadline for the submission of Loan Registration Lists by the LCBs to the RDD has been extended till 30.09.2020.

Accordingly, bank can collect loan applications from eligible sub-borrowers up to the deadline of submission of Loan Registration Forms. Other clauses of Section 6 remain unchanged.

Please bring the contents of this Amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

Operating Instructions No: RDD/SAPP/4P/2019/01 (Amendment - 01)

03. 11.2020

To – All PFIs of SAPP Loan Schemes

Dear Sir/Madam,

AMENDMENT TO OPERATING INSTRUCTIONS FOR THE 4P LOAN SCHEMES UNDER SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP)

All Participating Financial Institutions of the 4P Loan Schemes under Smallholder Agribusiness Partnerships Programme (SAPP) are hereby informed that the Operating Instructions No. RDD/SAPP/4P/2019/01 dated 06.08.2019 which have been issued further to the Operating Instructions No. RDD/SAPP/4P/2018/01 dated 10.04.2018 (as amended on 05.12.2018), have been amended as in Annex I.

The effective date for the amended Operating Instructions is 03. 11.2020

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

Yours faithfully,

M S K Dharmawardane

Director

**Regional Development Department
Central Bank of Sri Lanka**

Copy: Dr (Mrs) Yasantha Mapatuna, Programme Director, SAPP

Annex I

AMENDMENT TO THE OPERATING INSTRUCTIONS OF 4P LOAN SCHEMES OF SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP)

(The Operating Instructions No: RDD/SAPP/4P/2019/01 (Amendment - 01))

1) Introduction

With the intention of enhancing the operational efficiency of Smallholder Agribusiness Partnerships Programme (SAPP) Loan Schemes, it has been decided to restructure the loan schemes implemented under the credit component of the SAPP considering the recommendations made by the Mid Term Review mission of the International Fund for Agricultural Development (IFAD) during 29th June to 15th August 2020, the request of the Project Management Unit (PMU) of SAPP operated under the Ministry of Agriculture and the subsequent amendment to the Administrative Agreement between the Government of Sri Lanka and the Monetary Board of Central Bank of Sri Lanka (CBSL).

Accordingly, following amendments to the Operating Instructions No: RDD/SAPP/4P/2019/01 are introducing with primarily purpose of introducing new loan schemes named 4P Promoter Loan Scheme, 4P Promoter Bulk Loan Scheme and 4P Financial Intermediaries (FI) Bulk Loan Scheme. Accordingly, hereafter the Loan Proceeds for Credit provided by the IFAD will be utilized to finance 4P Agribusiness, 4P Youth Loan Scheme, 4P Promoter Loan Scheme 4P Promoter Bulk Loan Scheme and 4P FI Bulk Loan Scheme (the 4P Loan Schemes), in terms of SAPP Component 2: Access to Rural Finance and sub component 2.1: Financing of 4Ps.

1. Following new Objectives (k & l) are introduced to the Operating Instructions after the term ‘i’ of the Section 2 of the Objective of 4P Loan Schemes;

- k. to increase the participation of Promoters in agricultural value chains and engaged in 4P Partnerships.
 - l. to attract the rural small holder village-based retail farmer network through community based financial intermediaries
2. **"Eligible Activities" specified in the Section 4 of the Operating Instructions shall be repealed and substituted therefor;**

4) Eligible Activities

- a. Any agribusiness activity carried out by the farmers, farmer groups, Farmer Organizations (FOs) and Producer Organizations (POs) engaged in 4P arrangements of SAPP
- b. Entrepreneurial activities carried out by the youth connected to any agricultural value chain
- c. Business activities related to the agribusiness value chain development, of the Promoters officially partnered with 4P arrangements of SAPP.
- d. Community based Financial Intermediation with village-based farmer network endorsed by the National Steering Committee (NSC) of SAPP.

3. **"Sub-Loan Categories" specified in the Section 5 of the Operating Instructions shall be repealed and substituted therefor;**

5) Sub-loan Categories

The sub loan categories granting from the Loan Proceeds for Credit will be as follows;

- a. 4P Agribusiness Loan
- b. 4P Youth Loan
- c. 4P Promoter Loan
- d. 4P Promoter Bulk Loan
- e. 4P FI Bulk Loan

4. **"Eligible Beneficiaries" specified in the Section 7 of the Operating Instructions shall be repealed and substituted therefor;**

7) Eligible Beneficiaries

Eligible Beneficiaries, indicated below, should be able to satisfy the PFI that the proposed project has a positive cash flow and an adequate repayment capacity.

- a. Farmers, farmer groups, FOs/POs engaged in 4P arrangements of SAPP.
- b. Youth entrepreneurs connected to any agriculture value chain and fall within the age group of 18-40 years.
- c. Promoters officially partnered with 4P arrangements of SAPP.
- d. Community based Financial Intermediaries (FI) endorsed by the NSC. These FIs are Co-operative Rural Banks registered under Department of Co-operative Development, Agrarian Banks (Govijana Banks) registered under the Department of Agrarian Development, Samurdhi Banks registered under the Department of Samurdhi Development and Sanasa Societies registered under the Federation of Thrift and Credit Co-operative Societies of Sri Lanka.

Beneficiaries of the previous IFAD funded programmes such as NADeP, SPEnDeP, Dry Zone – RF can also be eligible as beneficiaries under the Line of Credit.

5. **"Main Features of the 4P Loan Schemes" specified in the Section 8 of the Operating Instructions shall be repealed and substituted therefor;**

8) Main Features of the 4P Loan Schemes

Main features of the 4P Loan Schemes are given in the Table 01 below.

Table 01: Main Features of the 4P Loan Scheme					
Feature	4P Agribusiness Loan Scheme	4P Youth Loan Scheme	4P Promoter Loan Scheme	4P Promoter Bulk Loan Scheme	4P FI Bulk Loan Scheme
(a) Maximum Loan Limit	Rs. 500, 000 for out-grower farmers under 4Ps of SAPP In case of farmer groups, FOs and POs, the cumulative member's loan or organization loan limit shall be decided by the PMU of SAPP and the respective PFI subject to the approval of the National Steering Committee.	Rs. 2 million	Rs 18,000,000 or Rupee equivalent of USD 100,000 subject to the approval of NSC on case by case basis	Loan amount shall be decided as specified in the 4P project investment plan and appraisal carried out by PMU of SAPP and Guidelines of the PMU and the relevant PFI subject to the approval of the NSC on case by case basis	Loan amount shall be decided as specified in the 4P project investment plan and appraisal carried out by PMU of SAPP and Guidelines of the PMU and the relevant PFI subject to the approval of the NSC on case by case basis.
(b) Eligible Sub-borrowers and Sub- Loan Activities	Farmers, farmer groups, FOs and POs engaged in 4P arrangements of SAPP To use as capital investment and/or working capital agreed by the PFI and recommended by PMU of SAPP	Youth Entrepreneurs and/ or group of youth entrepreneurs connected to any agriculture value chain and fall within the age category of 18 -40 years. To use as capital investment and/or working capital as per the business proposal agreed by the PFI and recommended by PMU of SAPP.	Promoters officially partnered with 4P arrangements of SAPP: - To use as capital investment and/or purchase of equipment	4P Promoter partnered with 4P arrangements for in kind lending to smallholders of SAPP.	Financial Intermediary; for on lending Smallholders of SAPP
(c) Interest Rate payable to the PFI by the Sub-Borrower ¹	6.5 % per annum	6.5 % per annum	6.5 % per annum	6.5 % per annum	3.75 % per annum (FIs should grant loans to Smallholders of SAPP at 6.5% per annum)
(d) Interest Rate payable to the CBSL by the PFI	3.0 % per annum	3.0 % per annum	3.0 % per annum	3.0 % per annum	2.25% per annum
(e) Grace Period ²	- Maximum duration of eighteen (18) months for bullet/lump sum repayment	- Maximum duration of twelve (12) months depending on the requirements of the project	- Maximum duration of twelve (12) months depending on decision of the PFI and the PMU of SAPP	- Maximum duration of eighteen (18) months for bullet/lump sum repayment	- Maximum duration of eighteen (18) months for bullet/lump sum repayment

	<p>- Maximum duration of twelve (12) months for monthly repayment</p> <p>Note: Granting grace period will be decided by the PMU of SAPP and respective PFI in consultation with relevant authorities such as Department of Agriculture, National Livestock Development Board etc. where necessary, based on the first harvest/harvesting pattern of the crop as specified in the 4P project appraisal carried out by PMU of SAPP.</p>			<p>Maximum duration of twelve (12) months for monthly repayment</p> <p>Note: Granting grace period will be decided by the PMU of SAPP and respective PFI in consultation with relevant authorities such as Department of Agriculture, National Livestock Development Board etc. where necessary, based on the first harvest/harvesting pattern of the crop as specified in the 4P project appraisal carried out by PMU of SAPP.</p>	<p>Maximum duration of twelve (12) months for monthly repayment</p> <p>Note: Granting grace period will be decided by the PMU of SAPP and respective PFI in consultation with relevant authorities such as Department of Agriculture, National Livestock Development Board etc. where necessary, based on the first harvest/harvesting pattern of the crop as specified in the 4P project appraisal carried out by PMU of SAPP.</p>	<p>- Maximum duration of eighteen (18) months for bullet/lump sum repayment</p> <p>- Maximum duration of thirty-six (36) months for monthly repayment including the grace period.</p> <p>Note:- Repayment period for FI Bulk Loan Scheme will be decided by the PMU of SAPP together with respective PFIs based on the first harvest/ harvesting pattern of the crop as</p>
						<p>- Maximum duration of eighteen (18) months for bullet/lump sum repayment</p> <p>- Maximum duration of thirty-six (36) months for monthly repayment including the grace period.</p> <p>Note:- Repayment period for Promoter Bulk Loan Scheme will be decided by the PMU of SAPP together with respective PFIs based on the first harvest/</p>
						<p>- Maximum duration of sixty (60) months including the grace period</p>
	<p>- Maximum duration of twelve (12) months for monthly repayment</p> <p>Note: Granting grace period will be decided by the PMU of SAPP and respective PFI in consultation with relevant authorities such as Department of Agriculture, National Livestock Development Board etc. where necessary, based on the first harvest/harvesting pattern of the crop as specified in the 4P project appraisal carried out by PMU of SAPP.</p> <p>The list of crops and the respective grace periods of the New Comprehensive Rural Credit Scheme (NCRCS) implemented by the CBSL will serve as a guideline in deciding grace periods [Annex(A)]</p>				<p>- Maximum duration of sixty (60) months including the grace period</p>	
						<p>- Maximum duration of eighteen (18) months for bullet/lump sum repayment</p> <p>- Maximum duration of thirty-six (36) months for monthly repayment including the grace period.</p> <p>- In case of FOs/POs and farmer groups maximum duration of sixty (60) months for monthly repayment including the grace period.</p>
(f) Repayment Period						

	Note :-Repayment period for Agribusiness loans will be decided by the PMU of SAPP together with respective PFIs based on the first harvest/ harvesting pattern of the crop as specified in the 4P project appraisal carried out by PMU of SAPP.				pattern of the crop as specified in the 4P project appraisal carried out by PMU of SAPP.	specified in the 4P project appraisal carried out by PMU of SAPP.
(g) Collateral	Buy back agreement between the Purchaser and the farmer or inter-se guarantee or the corporate guarantee for the group of farmers. Note 1 : Where Inter-se guarantee is not possible, personal guarantees will apply Note 2: Purchaser is an individual or an entity involved in the 4P arrangement and having buy back agreement with the farmer.	Service agreement between the company and the beneficiary/s or other collateral as decided by the PFIs	Type of collateral to be decided by the PFI	Type of collateral to be decided by the PFI	Type of collateral to be decided by the PFI	Type of collateral to be decided by the PFI

¹ The interest spread between PFI and FI may be change with the prior approval of NSC on case by case basis.

² Sub-borrowers are required to pay interest during the grace period.

6. **“Registration of Borrowers” specified in the Section 9 of the Operating Instructions shall be repealed and substituted therefor;**

- a. The Head Office of the PFI should direct details of the applicants who wish to obtain loans under the 4P Loan Schemes, as given in Section 9(b), 9(c), 9(d) and 9(e)

below, as per the Loan Registration Form given as Annex 1 (a) & 1 (b) of the Operating Instructions to the RDD of the CBSL through the PMU.

- b. In case of both individual borrowers, borrowers from the FO/PO and farmer groups under the 4P Agribusiness Loan scheme, the PFI must retain duly completed Annex I(a)(i) with respect to each and every borrower and should direct duly completed Annex I(b)(i) of the Operating Instructions to the RDD of the CBSL through the PMU.
- c. If the borrower is a farmer group/FO/PO, PFI should forward separate Annex I(b)(i) for each farmer group/FO/PO.
- d. If the borrower is obtaining a loan under 4P Youth Loan Scheme, 4P Promoter Loan Scheme, 4P Promoter Bulk Loan Scheme and 4P FI Bulk Loan Scheme, PFI should forward relevant Annex I(a) [i or ii] and Annex I(b) [i or ii] for each borrower to the RDD of the CBSL through PMU.
- e. If the borrower is obtaining a 4P FI Bulk Loan, PFI should forward Annex I (a)(iii) and Annex I (b)(iii) of the Operating Instructions to the RDD of the CBSL through PMU.
- f. PMU will recommend the list of applicants or the farmer group/FO/PO to the RDD of the CBSL, after carrying out necessary background evaluations.

7. **“Recovery of Loans” specified in the Section 12 of the Operating Instructions shall be repealed and substituted therefor;**

12) Recovery of Loans

The capital and interest for the refinance provided for the PFIs will be recovered semi – annually i.e. 30th June and 31st December of each year. The PFIs shall repay to the CBSL according to the product type:

- a. **4P Agribusiness Loan Scheme** – The PFIs shall repay the CBSL under this loan product in maximum eighteen (18) months for bullet/lump sum repayment loans and in maximum duration of thirty-six (36) months for monthly repayment loans. In case of loans provided to farmer group/FO/PO, maximum repayment period would be sixty (60) months including grace period.
- b. **4P Youth Loan Scheme** -The PFIs shall repay the CBSL under this loan product in maximum duration of sixty (60) months including grace period.
- c. **4P Promoter Loan Scheme** - The PFIs shall repay the CBSL under this loan product in maximum duration of sixty (60) months including grace period.
- d. **4P Promoter Bulk Loan Scheme** - The PFIs shall repay the CBSL under this loan product in maximum eighteen (18) months for bullet/lump sum repayment loans and in maximum duration of thirty-six (36) months for monthly repayment loans including grace period.
- e. **4P FI Bulk Loan Scheme** - The PFIs shall repay the CBSL under this loan product in maximum eighteen (18) months for bullet/lump sum repayment loans and in maximum duration of thirty-six (36) months for monthly repayment loans including grace period.

8. **“Rescheduling/Restructuring of the Loans” specified in the Section 13 b. i. of the Operating Instructions shall be repealed and substituted therefor;**

- b. i. For the loans granted under the 4P Agribusiness Loan scheme, 4P Youth, 4P Promoter Loan schemes, 4P Promoter Bulk Loan scheme and 4P FI Bulk Loan scheme, rescheduled loans will be created under same loan scheme under which it has been registered earlier, subject to the prevailing terms and conditions.

9. **“Other” information specified in the Section 18 of the Operating Instructions shall be repealed and substituted therefor;**

18) Other

CBSL, upon the request of the PMU of SAPP, will provide the PFI with the Process of 4P Project Identification & Implementation, the Process of Youth Entrepreneurship Development, Promoter Bulk Loan Process, Financial Intermediary Bulk Loan Process

and other processes and relevant criteria related to 4P Loan Schemes designed and drafted by the PMU of SAPP for the reference of the PFI.

The CBSL reserves the right to revise the terms and conditions in respect of 4P Loan Schemes as and when necessary.

Annex A

GRACE PERIODS PROVIDED UNDER THE NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS)

Category of Crop	Crop	Maximum Grace Period
Paddy	Paddy	270 days
Chillies	Chillies	
Onion	Onion	
Pulses	Cowpea, Green Gram, Black Gram, Soya Beans, Maize, Kurakkan	
Oil Seeds	Ground Nut, Gingelly, Sunflower	
Root & Tuber	Potato, Sweet Potato, Manioc, Kiri Ala	
Vegetables	Brinjal, Ladies Fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knol khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin	270 days
Other	Ginger	
	Sugarcane	360 days

Annex I(a)(i) : Individual Beneficiary Application (for 4P Agribusiness Loans/ 4P Youth Loans)

PFI:

CENTRAL BANK BENEFICIARY REGISTRATION NO:

LOAN REGISTRATION APPLICATION FOR INDIVIDUAL CUSTOMERS- SAPP (.....LOAN SCHEME)

Name of the Branch : District:

Address of the Branch :

1) Project / Participating Company Name :

2) Telephone No. / Fax No :

3) Status of Applicant/s : : Individual ☐ Group Member ☐

4) If a Group Member; Name of the Group :

Registration Number of the Group :

5) Name and Address of Applicant/ s :

Name*	Address	National Identity Card Number	Gender
i			
ii			

6) Purpose of the Loan:

.....

7) Loans previously obtained or currently processing under SAPP: (Please add additional rows if necessary)

Loan Scheme	Purpose	Amount (Rs.)

8) Complete Address of the Project Site and Location:

9) Type of Business/Small Enterprise:

10) Brief description of the Business/Small Enterprise to be financed under the Loan Scheme

11) Estimated cost of the Project : Rs.....

12) Amount of loan recommended/approved by the PFI : Rs.....

Name and the Signature of the Beneficiary

Name, Signature & Official seal of
Authorized officer

Date :

Annex I(a)(ii) : Company Application (for 4P Promoter Loans/ 4P Promoter Bulk Loans)

PFI:

CENTRAL BANK BENEFICIARY REGISTRATION NO:

LOAN REGISTRATION APPLICATION FOR COMPANIES- SAPP (.....LOAN SCHEME)

Name of the Branch : District:

Address of the Branch :

1) Project / Participating Company Name :

2) Business Registration Number :

3) Name of the Registered/Regulatory Authority :

4) Telephone No. / Fax No of Company :

5) Name and Address of Board of Directors/Members :

Name	Address	National Identity Card Number	Gender
i			
ii			

6) Purpose of the Loan:

7) Loans previously obtained or currently processing under SAPP: (Please add additional rows if necessary)

Loan Scheme	Purpose	Amount (Rs.)

8) Complete Address of the Project Site and Location:

9) Type of Business/Small Enterprise:

10) Brief description of the Business/Small Enterprise to be financed under the Loan Scheme

11) Estimated cost of the Project : Rs.....

12) Amount of loan recommended/approved by the PFI : Rs.....

Name, Signature and the official seal of Authorized officer

.....
Beneficiary Company

.....
PFI

Date :

Annex I(a)(iii) : FI Application (for 4P FI Bulk Loans)

PFI:

CENTRAL BANK BENEFICIARY REGISTRATION NO:

**LOAN REGISTRATION APPLICATION FOR FINANCIAL INTERMEDIARIES- SAPP
(.....LOAN SCHEME)**

Name of the Branch : District:

Address of the Branch :

- 1) Name of the Financial Intermediary :
- 2) Address and Business Registration Number :
- 3) Name of the Registered/Regulatory Authority :
- 4) Telephone No./Fax No. of FI :
- 5) Details of Board of Directors/Members of the FI :

Name	Address	National Identity Card Number	Gender
i			
ii			

- 6) Purpose of the Loan:

.....

- 7) Loans previously obtained or currently processing under SAPP: (Please add additional rows if necessary)

Loan Scheme	Purpose	Amount (Rs.)

- 8) Complete Address of the Project Site and Location:

.....

- 9) Type of Business/Small Enterprise:

- 10) Brief description of the Business/Small Enterprise to be financed under the Loan Scheme

.....

- 11) Estimated cost of the Project : Rs.....

- 12) Amount of loan recommended/approved by the PFI : Rs.....

Name, Signature and the official seal of Authorized officer

.....
Beneficiary FI

.....
PFI

Date :

Annex I(b)(i) : 4P Loan Schemes - SAPP

SUB BORROWER REGISTRATION

(For 4P Agribusiness Loans/ 4P Youth Loans)

APPLICATION NUMBER:

TO : THE CENTRAL BANK OF SRI LANKA

THROUGH : SAPP - PROJECT MANAGEMENT UNIT

Name of the PFI :

PFI Branch Name :

#	Applicant/Borrower				Group Name	Registration Number (For Group Members)	Loan Details			CBSL Registration Number*
	Name	Address & Contact Number	Gender	Status (Individual/ Group Member)			Project Name	Purpose	Amount	

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Small Holder Agribusiness Programme.

(Name & Signature and
Stamp of the Authorized Officer)

* For CBSL use only

Date

Annex I(b)(ii) : 4P Loan Schemes - SAPP

SUB BORROWER REGISTRATION
(for 4P Promoter Loans / 4P Promoter Bulk Loans)

APPLICATION NUMBER:

TO : THE CENTRAL BANK OF SRI LANKA

THROUGH : SAPP - PROJECT MANAGEMENT UNIT

Name of the PFI :

PFI Branch Name :

#	Details of the Board of Directors/Members				Borrower Status (Individual/ Group Member)	Company		Loan Details			CBSL Registration Number*
	Names	Address & Contact Number	Gender	NIC No.		Name	Business Registration No.	Project Name	Purpose	Amount	

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Small Holder Agribusiness Programme.

.....

(Name & Signature and
Stamp of the Authorized Officer)
* For CBSL use only

Date

.....

Annex I(b)(iii) : 4P Loan Schemes - SAPP

SUB BORROWER REGISTRATION
(for 4P Financial Intermediary (FI) Bulk Loans)

APPLICATION NUMBER:

TO : THE CENTRAL BANK OF SRI LANKA

THROUGH : SAPP - PROJECT MANAGEMENT UNIT

Name of the PFI :

PFI Branch Name :

#	Details of FI			Details of the Board of Directors/Members				Loan Details			CBSL Registration No.*
	Name	Address and Busi- ness Regis- tration No.	Name of the Registered/ Regulatory Authority	Name	Address & Contact Number	Gender	NIC No.	Project Name	Purpose	Amount	

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Small Holder Agribusiness Programme.

.....

(Name & Signature and
Stamp of the Authorized Officer)
* For CBSL use only

.....

Date

Operating Instructions No: RDD/SAPP/RF/2019/01 (Amendment - 01)

03.11.2020

To – All PFIs of SAPP Loan Schemes

Dear Sir/Madam,

AMENDMENT TO OPERATING INSTRUCTIONS FOR THE RF LOAN SCHEMES UNDER SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP)

All Participating Financial Institutions of the RF Loan Schemes under Smallholder Agribusiness Partnerships Programme (SAPP) are hereby informed that the Operating Instructions No. RDD/SAPP/RF/2019/01 dated 06.08.2019 which have been issued further to the Operating Instructions No. RDD/SAPP/RF/2018/01 dated 10.04.2018 (as amended on 05.12.2018), have been amended as in Annex I.

All other terms and conditions of the Loan Scheme will remain unchanged.

The effective date for the amended Operating Instructions is 03.11.2020

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

Yours faithfully
M S K Dharmawardena
Director/Regional Development
Central Bank of Sri Lanka

Copy : Dr (Mrs) Yasantha Mapatuna, Programme Director, SAPP

Annex I

AMENDMENT TO THE OPERATING INSTRUCTIONS OF RF LOAN SCHEMES OF SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP) (The Operating Instructions No: RDD/SAPP/RF/2019/01 (Amendment - 01))

1) Introduction

With the intention of enhancing the operational efficiency of Smallholder Agribusiness Partnerships Programme (SAPP) Loan Schemes, it has been decided to restructure the loan schemes implemented under the credit component of the SAPP considering the recommendations made by the Mid Term Review mission of the International Fund for Agricultural Development (IFAD) during 29th June to 15th August 2020, the request of the Project Management Unit (PMU) of SAPP operated under the Ministry of Agriculture and the subsequent amendment to the Administrative Agreement between the Government of Sri Lanka and the Monetary Board of Central Bank of Sri Lanka (CBSL).

Accordingly, following amendments to the Operating Instructions No: RDD/SAPP/RF/2019/01 are introducing with primarily purpose of introducing new loan schemes named RF Promoter Loan Scheme, RF Promoter Bulk Loan Scheme, RF Financial Intermediaries (FI) Bulk Loan Scheme and RF Tea & Rubber Sector Loan Scheme. Accordingly, hereafter the Consolidated Revolving Fund of the SAPP will be utilized to finance RF Agribusiness, RF Income Generation, RF Youth Loan Schemes, RF Promoter Loan Scheme, RF Promoter Bulk Loan Scheme, RF FI Bulk Loan Scheme and RF Tea & Rubber Sector Loan Scheme (the RF Loan Schemes), in terms of SAPP Component 2: Access to Rural Finance and sub component 2.1: Financing of 4Ps.

1. Following new Objectives (k & l) are introduced to the Operating Instructions after the term 'j' of the Section 2 of the Objective of RF Loan Schemes;

- k. to increase the participation of Promoters in agricultural value chains and engaged in 4P Partnerships.
- l. to attract the rural small holder village-based retail farmer network through community based financial intermediaries

2. "Eligible Activities" specified in the Section 4 of the Operating Instructions shall be repealed and substituted therefor;

4) Eligible Activities

- a. Any agribusiness activity carried out by the farmers, farmer groups, Farmer Organizations (FOs) and Producer Organizations (POs) engaged in 4P arrangements of SAPP

- b. Entrepreneurial activities carried out by the youth connected to any agricultural value chain
- c. Income Generation activities in agriculture, fisheries and livestock.
- d. Business activities related to the agribusiness value chain development of the Promoters officially partnered with 4P arrangements of SAPP.
- e. Community based Financial Intermediation with village-based farmer network endorsed by the National Steering Committee (NSC) of SAPP.

3. **"Sub-Loan Categories" specified in the Section 5 of the Operating Instructions shall be repealed and substituted therefor;**

5) Sub-loan Categories

The sub loan categories granting from the Loan Proceeds for Credit will be as follows;

- a. RF Agribusiness Loan
- b. RF Youth Loan
- c. RF Income Generation Loan
- d. RF Promoter Loan
- e. RF Promoter Bulk Loan
- f. RF FI Bulk Loan
- g. RF Tea & Rubber Sector Loan

4. **"Eligible Beneficiaries" specified in the Section 7 of the Operating Instructions shall be repealed and substituted therefor;**

7) Eligible Beneficiaries

Eligible Beneficiaries, indicated below, should be able to satisfy the PFI that the proposed project has a positive cash flow and an adequate repayment capacity.

- a. Farmers, farmer groups, FOs/POs engaged in 4P arrangements of SAPP.
- b. Individuals engaged in income generation activities in agriculture, fisheries & livestock.
- c. Youth entrepreneurs connected to any agriculture value chain and fall within the age group of 18-40 years.
- d. Promoters officially partnered with 4P arrangements of SAPP and tea & rubber sector allied with SAPP endorsed by NSC.
- e. Community based Financial Intermediaries (FI) endorsed by the NSC. These FIs are Co-operative Rural Banks registered under Department of Co-operative Development, Agrarian Banks (Govijana Banks) registered under the Department of Agrarian Development, Samurdhi Banks registered under the Department of Samurdhi Development and Sanasa Societies registered under the Federation of Thrift and Credit Co-operative Societies of Sri Lanka.

Beneficiaries of the previous IFAD funded programmes such as NADeP, SPEnDeP, Dry Zone – RF can also be eligible as beneficiaries under the Line of Credit.

5. **"Main Features of the RF Loan Schemes" specified in the Section 8 of the Operating Instructions shall be repealed and substituted therefor;**

8) Main Features of the RF Loan Schemes

Main features of the RF Loan Schemes are given in the Table 1 below

Table 01: Main Features of the RF Loan Schemes							
Feature	RF Agribusiness Loan Scheme	RF Youth Loan Scheme	RF Income Generation Loan Scheme	RF Promoter Loan Scheme	RF Promoter Bulk Loan Scheme	RF FI Bulk Loan Scheme	RF Tea & Rubber Loan Scheme
(a) Maximum Loan Limit	Rs.500, 000 for out-grower farmers under 4Ps of SAPP In case of farmer groups, FOs and POs, the cumulative member's loan or organization loan limit shall be decided by the PMU of SAPP and the respective PFI subject to the approval of the National Steering Committee.	Rs. 2 million	Rs.300, 000 for individual Sub-borrowers	Rs 18,000,000 or Rupee equivalent of USD 100,000 subject to the approval of NSC on case by case basis	Loan amount shall be decided as specified in the 4P project investment plan and appraisal carried out by PMU of SAPP and Guidelines of the PMU and the relevant PFI subject to the approval of the NSC on case by case basis.	Loan amount shall be decided as specified in the 4P project investment plan and appraisal carried out by PMU of SAPP and Guidelines of the PMU and the relevant PFI subject to the approval of the NSC on case by case basis.	Loan amount shall be decided by the PMU and the relevant PFI subject to the approval of the NSC on case by case basis.
(b) Eligible Sub-borrowers and Sub- Loan Activities	Farmers, farmer groups, FOs and POs engaged in 4P arrangements of SAPP To use as capital investment and/or working capital agreed by the PFI and recommended by PMU of SAPP	- Youth Entrepreneurs and/ or group of youth entrepreneurs connected to any agriculture value chain and fall within the age category of 18 -40 years. - To use as capital investment and/or working capital as per the business proposal agreed by the PFI and recommended by PMU of SAPP.	Individuals engaged in income generation activities in agriculture, fisheries & livestock	Promoters officially partnered with 4P arrangements of SAPP. To use as capital investment and/or purchase of equipment	4P Promoter partnered with 4P arrangements for in kind lending to smallholders of SAPP.	Financial Intermediary; for on lending Smallholders of SAPP	Tea and Rubber sector value chain partners of SAPP to develop infrastructure or purchase equipment on behalf of smallholders, or to provide in-kind seasonal credit

(c) Interest Rate payable to the PFI by the Sub-Borrower ¹	6.5 % per annum	6.5 % per annum	6.5 % per annum	6.5 % per annum	6.5 % per annum	3.75 % per annum ¹ (FIs should grant loans to Smallholders of SAPP at 6.5% per annum)	6.5 % per annum
(d) Interest Rate payable to the CBSL by the PFI	3.0 % per annum	3.0 % per annum	3.0 % per annum	3.0 % per annum	3.0 % per annum	2.25% per annum	3.0 % per annum
(e) Grace Period ²	Maximum duration of eighteen (18) months for bullet/lump sum repayment Maximum duration of twelve (12) months for monthly repayment Note: Granting grace period will be decided by the PMU of SAPP and respective PFI in consultation with relevant authorities such as Department of Agriculture, National Livestock Development Board etc. where necessary, based on the first harvest/	Maximum duration of twelve (12) months depending on the requirements of the project	Maximum duration of twelve (12) months depending on the requirement of the project	Maximum duration of twelve (12) months depending on decision of the PFI and the PMU of SAPP	Maximum duration of eighteen (18) months for bullet/lump sum repayment Maximum duration of twelve (12) months for monthly repayment Note: Granting grace period will be decided by the PMU of SAPP and respective PFI in consultation with relevant authorities such as Department of Agriculture, National Livestock Development Board etc. where necessary, based on the first harvest/	Maximum duration of eighteen (18) months for bullet/lump sum repayment Maximum duration of twelve (12) months for monthly repayment Note: Granting grace period will be decided by the PMU of SAPP and respective PFI in consultation with relevant authorities such as Department of Agriculture, National Livestock Development Board etc. where necessary, based on the first harvest/	Maximum duration of eighteen (18) months for bullet/lump sum repayment Maximum duration of twelve (12) months for monthly repayment Note: Granting grace period will be decided by the PMU of SAPP and respective PFI in consultation with relevant authorities in relation with tea and rubber plantations, where necessary, based on the first harvest/

	periods of the New Comprehensive Rural Credit Scheme (NCRCS) implemented by the CBSL will serve as a guideline in deciding grace periods [Annex(A)]	Maximum duration of sixty (60) months including the grace period	Maximum duration of thirty-six (36) months including the grace period	Maximum duration of sixty (60) months including the grace period	Maximum duration of eighteen (18) months for bullet/lump sum repayment	Maximum duration of eighteen (18) months for bullet/lump sum repayment		
(f) Repayment Period	<p>Maximum duration of eighteen (18) months for bullet/lump sum repayment</p> <p>Maximum duration of thirty-six (36) months for monthly repayment including the grace period.</p> <p>In case of FOs/ POs and farmer groups maximum duration of sixty (60) months for monthly repayment including the grace period.</p> <p>Note :-Repayment period for Agribusiness loans will be decided by the PMU of SAPP together with respective PFIs based on the first harvest/ harvesting pattern of the crop as specified in the 4P project appraisal carried out by PMU of SAPP.</p>	Maximum duration of sixty (60) months including the grace period	Maximum duration of thirty-six (36) months including the grace period	Maximum duration of sixty (60) months including the grace period	Maximum duration of eighteen (18) months for bullet/lump sum repayment	Maximum duration of eighteen (18) months for bullet/lump sum repayment	Maximum duration of eighteen (18) months for bullet/lump sum repayment	<p>Maximum duration of sixty (60) months for monthly repayment including the grace period.</p> <p>Note:-Repayment period for Tea and Rubber Sector Loans will be decided by the PMU of SAPP together with respective PFIs based on the first harvest/ harvesting pattern of the crop as specified in the 4P project appraisal carried out by PMU of SAPP.</p>

(g) Collateral	Buy back agreement between the Purchaser and the farmer or inter-se guarantee or the corporate guarantee for the group of farmers. Note 1: Where Inter-se guarantee is not possible, personal guarantees will apply Note 2: Purchaser is an individual or an entity involved in the 4P arrangement and having buy back agreement with the farmer.	Service agreement between the company and the beneficiary/s or other collateral as decided by the PFIs	Inter-se Guarantee of two other borrowers or guarantee of two family members or other collateral as decided by the PFIs	Type of collateral to be decided by the PFI	Type of collateral to be decided by the PFI	Type of collateral to be decided by the PFI	Type of collateral to be decided by the PFI
----------------	---	--	---	---	---	---	---

¹The interest spread between PFI and FI may be change with the prior approval of NSC on case by case basis.

² Sub-borrowers are required to pay interest during the grace period.

6. **“Registration of Borrowers” specified in the Section 9 of the Operating Instructions shall be repealed and substituted therefor;**
- The Head Office of the PFI should direct details of the applicants who wish to obtain loans under the RF Loan Schemes, as given in Section 9(b), 9(c), 9(d) and 9(e) below, as per the Loan Registration Form given as Annex 1 (a) & 1 (b) of the Operating Instructions to the RDD of the CBSL through the PMU.
 - In case of both individual borrowers, borrowers from the FO/PO and farmer groups under the RF Agribusiness Loan scheme and RF Income Generation Loan scheme, the PFI must retain duly completed Annex I(a)(i) with respect to each and every borrower and should direct duly completed Annex I(b)(i) of the Operating Instructions to the RDD of the CBSL through the PMU.
 - If the borrower is a farmer group/FO/PO, PFI should forward separate Annex I(b)(i) for each farmer group/FO/PO.
 - If the borrower is obtaining a loan under RF Youth Loan Scheme, RF Promoter Loan Scheme, RF Promoter Bulk Loan Scheme and RF Tea & Rubber Sector Loan Scheme, PFI should forward duly completed relevant Annex I(a) [i or ii] and Annex I(b) [i or ii] for each borrower to the RDD of the CBSL through PMU.
 - If the borrower is obtaining a RF FI Bulk Loan, PFI should forward duly completed Annex I (a)(iii) and Annex I (b)(iii) of the Operating Instructions to the RDD of the CBSL through PMU.
 - PMU will recommend the list of applicants or the farmer group/FO/PO to the RDD of the CBSL, after carrying out necessary background evaluations.
7. **“Recovery of Loans” specified in the Section 12 of the Operating Instructions shall be repealed and substituted therefor;**
- 12) Recovery of Loans
- The capital and interest for the refinance provided for the PFIs will be recovered semi – annually i.e. 30th June and 31st December of each year. The PFIs shall repay to the CBSL according to the product type:
- RF Agribusiness Loan Scheme** – The PFIs shall repay the CBSL under this loan product in maximum eighteen (18) months for bullet/lump sum repayment loans and in maximum duration of thirty-six (36) months for monthly repayment loans. In case of loans provided to farmer group/FO/PO, maximum repayment period would be sixty (60) months including grace period.
 - RF Income Generation Loan Scheme**- The PFIs shall repay the CBSL under this loan product in maximum thirty-six (36) months including grace period.
 - RF Youth Loan Scheme** -The PFIs shall repay the CBSL under this loan product in maximum duration of sixty (60) months including grace period.
 - RF Promoter Loan Scheme** - The PFIs shall repay the CBSL under this loan product in maximum duration of sixty (60) months including grace period.
 - RF Promoter Bulk Loan Scheme** - The PFIs shall repay the CBSL under this loan product in maximum eighteen (18) months for bullet/lump sum repayment loans and in maximum duration of thirty-six (36) months for monthly repayment loans including grace period.
 - RF FI Bulk Loan Scheme** - The PFIs shall repay the CBSL under this loan product in maximum eighteen (18) months for bullet/lump sum repayment loans and in maximum duration of thirty-six (36) months for monthly repayment loans including grace period.
 - RF Tea & Rubber Sector Loan Scheme** - The PFIs shall repay the CBSL under this loan product in maximum eighteen (18) months for bullet/lump sum repayment loans and in maximum duration of sixty (60) months for monthly repayment loans including grace period.
8. **“Rescheduling/Restructuring of the Loans” specified in the Section 13 b. i. of the Operating Instructions shall be repealed and substituted therefor;**

- b. i. For the loans granted under the RF Agribusiness Loan scheme, RF Income Generation Loan scheme, RF Youth, RF Promoter Loan schemes, RF Promoter Bulk Loan scheme, RF FI Bulk Loan scheme and RF Tea & Rubber Sector Loan scheme, rescheduled loans will be created under same loan scheme under which it has been registered earlier, subject to the prevailing terms and conditions.

9. **"Other" information specified in the Section 18 of the Operating Instructions shall be repealed and substituted therefor;**

18) Other

CBSL, upon the request of the PMU of SAPP, will provide the PFI with the Process of 4P Project Identification & Implementation, the Process of Youth Entrepreneurship Development, Promoter Bulk Loan Process, Financial Intermediary Bulk Loan Process and other processes and relevant criteria related to RF Loan Schemes designed and drafted by the PMU of SAPP for the reference of the PFI.

The CBSL reserves the right to revise the terms and conditions in respect of RF Loan Schemes as and when necessary.

Annex A

GRACE PERIODS PROVIDED UNDER THE NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS)

Category of Crop	Crop	Maximum Grace Period
Paddy	Paddy	270 days
Chillies	Chillies	
Onion	Onion	
Pulses	Cowpea, Green Gram, Black Gram, Soya Beans, Maize, Kurakkan	
Oil Seeds	Ground Nut, Gingelly, Sunflower	
Root & Tuber	Potato, Sweet Potato, Manioc, Kiri Ala	
Vegetables	Brinjal, Ladies Fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knol khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin	
Other	Ginger	270 days
	Sugarcane	360 days

Annex I(a)(i) : Individual Beneficiary Application [for RF Agribusiness Loans/ RF Income Generation Loans/ RF Youth Loans/ RF Tea and Rubber Sector Loans-individuals]

PFI:

CENTRAL BANK BENEFICIARY REGISTRATION NO:

**LOAN REGISTRATION APPLICATION FOR INDIVIDUAL CUSTOMERS- SAPP
(.....LOAN SCHEME)**

Name of the Branch : District:

Address of the Branch :

1) Project / Participating Company Name :

2) Telephone No. / Fax No :

3) Status of Applicant/s : : Individual ☐ Group Member ☐

4) If a Group Member; Name of the Group :
Registration Number of the Group :

5) Name and Address of Applicant/ s :

Name*	Address	National Identity Card Number	Gender
i			
ii			

6) Purpose of the Loan:

.....

7) Loans previously obtained or currently processing under SAPP: (Please add additional rows if necessary)

Loan Scheme	Purpose	Amount (Rs.)

8) Complete Address of the Project Site and Location:

.....

9) Type of Business/Small Enterprise:

10) Brief description of the Business/Small Enterprise to be financed under the Loan Scheme

.....

11) Estimated cost of the Project : Rs.....

12) Amount of loan recommended/approved by the PFI : Rs.....

.....

Name and the Signature of the Beneficiary

Name, Signature & Official seal of
Authorized officer

Date :

Annex I(a)(ii) : Company Application (for RF Promoter Loans/ RF Promoter Bulk Loans/ RF Tea and Rubber Sector Loans-company)

PFI:

CENTRAL BANK BENEFICIARY REGISTRATION NO:

**LOAN REGISTRATION APPLICATION FOR COMPANIES - SAPP
(.....LOAN SCHEME)**

Name of the Branch : District:

Address of the Branch :

1) Project / Participating Company Name :

2) Business Registration Number :

3) Name of the Registered/Regulatory Authority :

4) Telephone No. / Fax No of Company :

5) Name and Address of Board of Directors/Members :

Name	Address	National Identity Card Number	Gender
i			
ii			

6) Purpose of the Loan:

.....

7) Loans previously obtained or currently processing under SAPP: (Please add additional rows if necessary)

Loan Scheme	Purpose	Amount (Rs.)

8) Complete Address of the Project Site and Location:

9) Type of Business/Small Enterprise:

10) Brief description of the Business/Small Enterprise to be financed under the Loan Scheme

11) Estimated cost of the Project : Rs.....

12) Amount of loan recommended/approved by the PFI : Rs.....

Name, Signature and the official seal of Authorized officer

.....

Beneficiary Company

PFI

Date :

Annex I(a)(iii) : FI Application (for RF FI Bulk Loans)

PFI:

CENTRAL BANK BENEFICIARY REGISTRATION NO:

LOAN REGISTRATION APPLICATION FOR FINANCIAL INTERMEDIARIES - SAPP (.....LOAN SCHEME)

Name of the Branch : District:

Address of the Branch :

1) Name of the Financial Intermediary (FI) :

2) Address and Business Registration Number :

3) Name of the Registered/Regulatory Authority :

4) Telephone No./Fax No. of FI :

5) Details of Board of Directors/Members of the FI :

Name	Address	National Identity Card Number	Gender
i			
ii			

6) Purpose of the Loan:

7) Loans previously obtained or currently processing under SAPP: (Please add additional rows if necessary)

Loan Scheme	Purpose	Amount (Rs.)

8) Complete Address of the Project Site and Location:

9) Type of Business/Small Enterprise:

10) Brief description of the Business/Small Enterprise to be financed under the Loan Scheme

11) Estimated cost of the Project : Rs.....

12) Amount of loan recommended/approved by the PFI : Rs.....

Name, Signature and the official seal of Authorized officer

.....

Beneficiary Company

PFI

Date :

Annex I(b)(i) : RF Loan Schemes - SAPP**SUB BORROWER REGISTRATION**

[for RF Agribusiness Loans/ RF Income Generation Loans/ RF Youth Loans/ RF Tea and Rubber Loans for individuals]

APPLICATION NUMBER:

TO : THE CENTRAL BANK OF SRI LANKA

THROUGH : SAPP - PROJECT MANAGEMENT UNIT

Name of the PF :

PFI Branch Name :

#	Applicant/Borrower				Regis- tration Number (For Group Members)	Loan Details			CBSL Registration Number*
	Name	Address & Contact Number	Gender	Status (Individual/ Group Member)		Project Name	Purpose	Amount	

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Small Holder Agribusiness Programme.

.....

(Name & Signature and
Stamp of the Authorized Officer)
* For CBSL use only

.....

Date

Annex I(b)(ii) : RF Loan Schemes - SAPP

SUB BORROWER REGISTRATION

(for RF Promoter Loans/ RF Promoter Bulk Loans/ RF Tea and Rubber Loans)

APPLICATION NUMBER:

TO : THE CENTRAL BANK OF SRI LANKA

THROUGH : SAPP - PROJECT MANAGEMENT UNIT

Name of the PFI :

PFI Branch Name :

#	Details of the Board of Directors/Members				Borrower Status (Individual/ Group Member)	Company		Loan Details			CBSL Registration Number*
	Names	Address & Contact Number	Gender	NIC No.		Name	Business Registration No.	Project Name	Purpose	Amount	

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Small Holder Agribusiness Programme.

.....
(Name & Signature and Stamp of the Authorized Officer)

* For CBSL use only

.....
Date

Annex I(b)(iii) : RF Loan Schemes - SAPP

SUB BORROWER REGISTRATION
(for RF Financial Intermediary (FI) Bulk Loans)

APPLICATION NUMBER:

TO : THE CENTRAL BANK OF SRI LANKA

THROUGH : SAPP - PROJECT MANAGEMENT UNIT

Name of the PFI :

PFI Branch Name :

#	Details of FI			Details of the Board of Directors/Members				Loan Details			CBSL Registration No.*
	Name	Address and Busi- ness Regis- tration No.	Name of the Registered/ Regulatory Authority	Name	Address & Contact Number	Gender	NIC No.	Project Name	Purpose	Amount	

I certify that the projects mentioned above were examined by me/credit officer of the bank and found that those are eligible to be financed under the Small Holder Agribusiness Programme.

.....

(Name & Signature and
Stamp of the Authorized Officer)
* For CBSL use only

.....

Date

Finance Business Act Directions No. 01 of 2020

14 February 2020

CLASSIFICATION AND MEASUREMENT OF CREDIT FACILITIES

In terms of powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board hereby determines the classification and measurement of credit facilities for Licensed Finance Companies (LFCs) as follows;

1. Applicability of the direction
 - 1.1 These Directions set out the minimum requirements on the classification and measurement of all credit facilities granted by an LFC with the adoption of Sri Lanka Accounting Standard, 'SLFRS 9: Financial Instruments' issued by the Council of Chartered Accountants of Sri Lanka and prudential requirements of the Central Bank of Sri Lanka (CBSL).
 - 1.2 The credit facilities shall include the following;
 - (a) All financial instruments measured at amortized cost as per SLFRS 9.
 - (b) Off-balance sheet credit facilities with a commitment to accept contingent liabilities, including guarantees, bonds, warranties, letters of credit and acceptances.
 - 1.3 All LFC shall maintain basic information (including those set out in Appendix A, where applicable) on borrower, credit facility and periodic credit reviews to enable an objective evaluation of the quality of borrowers.
2. Effective date
 - 2.1 These Directions are effective for financial years beginning on or after 1 April 2021.
3. Responsibility of the board of directors and senior management
 - 3.1 The Board of Directors (BoD) and senior management of an LFC is responsible to establish credit risk management framework, including effective internal control system to consistently determine adequate impairment allowances in accordance with the LFC's Board approved policies, applicable accounting standards and regulatory requirements.
4. Classification of credit facilities
 - 4.1 Credit facilities**
 - 4.1.1 An LFC shall classify the credit facilities as Performing loans (PLs) and non-performing loans (NPLs) in terms of Direction 4.1.2 and 4.1.3.
 - 4.1.2 PLs shall mean all credit facilities other than NPLs classified in terms of Direction 4.1.4.
 - 4.1.3 An LFC shall classify credit facilities as NPLs based on the two criteria; i.e., based on period and/or on potential risk.
 - 4.1.4 An LFC shall at minimum, classify every credit facility as NPL based on the period and / or on potential risk are given at Table 1 and 2, Appendix B.
 - 4.2 Rescheduled credit facilities**
 - 4.2.1 When rescheduling, age should be considered in aggregate, the period of time the credit facility was in arrears before rescheduling and after rescheduling for the purpose of classification.
 - 4.2.2 When rescheduling occurs before a credit facility is classified as NPL, LFCs may disregard aggregating the period of time the credit facility was in arrears, if the borrower continues to service the loan for periods specified in Table 3, Appendix B, applicable for Special mentioned category.

4.2.3 When rescheduling occurs after a credit facility is classified as NPL, the rescheduled credit facility shall be classified as NPL when, in aggregate, the period of time the credit facility was in arrears before rescheduling and after rescheduling exceeds the time period specified in Table 1, Appendix B, in respective credit facilities.

4.3 Reclassification of credit facilities

4.3.1 Reclassification of NPLs to PLs

An LFC shall reclassify NPLs as PLs, if such NPLs meet the following criteria;

- (i) Principle and interest in arrears are fully paid by the borrower in relation to the classified NPLs or upon the confirmation to the satisfactory performance of the credit facilities classified as NPLs under potential risk, and after ensuring that the repayment of the remaining principle and interest are in accordance with the terms and conditions of the borrower.
- (ii) A credit assessment of repayment capacity, cash flow and financial position of the borrower in line with the Direction 5 below shall be carried out prior to such reclassification of NPLs as PLs.

4.3.2 Reclassification of rescheduled NPLs as PLs

- (i) LFCs shall reclassify rescheduled credit facilities as PLs only if the borrower has complied with the rescheduled terms fully and demonstrates the ability to repay under rescheduled terms and conditions in the future.
- (ii) The NPLs which have been subjected to rescheduling, would be eligible to be upgraded to PLs only after ensuring satisfactory performance and subject to specified periods in Table 3, Appendix B in respective credit facilities.

4.4 Multiple credit facilities

An LFC shall classify for credit facilities based on the credit assessment of the borrower

4.5 New credit facilities

LFCs shall not grant new credit facilities for repayment of NPL in the name of the same borrower or any other related party, unless such credit facility is also classified as NPL and categorized into the same category of the repaid credit facility as per categorization of non-performing credit facilities (Table 1, Appendix B). The reclassification of such NPL as a PL shall be subject to Direction 4.3.

- | | | | |
|----|--|-----|---|
| 5. | Categorization of Non-performing credit facilities | 5.1 | An LFC at a minimum shall categorize the credit facilities into four credit grades as special mention, substandard, doubtful and loss given at Table 1, Appendix B. |
| 6. | Measurement for expected credit losses | 6.1 | An LFC shall recognize the loss allowance for expected credit losses for all the credit facilities as per Sri Lanka Accounting Standard, 'SLFRS 9: Financial Instruments', (as amended) as set out in Appendix C. |

7. Regulatory requirement

6.2 Multiple credit facilities

- 6.2.1 An LFC shall provide for credit facilities above a certain materiality threshold based on the credit assessment of the borrower, except for homogenous credit exposures (e.g. housing loans, consumer loans, credit card receivables) below a certain materiality threshold.
- 6.2.2 An LFC shall pool all homogenous credit exposures together except 6.2.1 above, and provide for collectively based on risk characteristics.
- 6.2.3 An LFC shall develop an internal rating if 6.2.1 and 6.2.2 above are combined and shall provide for based on the credit assessment of the borrower.

7.1 Minimum Level of Regulatory Loss Allowance

- 7.1.1 Director may determine a Minimum Level of Regulatory Loss Allowance if there is significant difference between regulatory provision (i.e., provision and accrued interest in NPL) and loss allowances for expected credit losses for credit facilities for all financial instruments measured at amortized cost under purview of this Direction as per accounting standards from time to time.
- 7.1.2 LFC shall determine and recognize the loss allowances for expected credit loss on the credit exposures in accordance with the requirements of accounting standards. However, in line with the international best practices, the CBSL shall monitor the loss allowances for expected credit losses in comparison to the regulatory provision.
- 7.1.3 Where the loss allowances for expected credit loss falls below the regulatory provision, LFC shall maintain the additional loss allowance in a non-distributable regulatory loss allowance reserve (RLAR) through an appropriation of its retained earnings. The additional loss allowance shall be maintained in the RLAR at all times. When loss allowance for expected credit losses exceeds the Regulatory provision, the LFC may transfer the excess amount in the RLAR to its retained earnings.
- 7.1.4 Further, any shortfall in regulatory provision (i.e., provision and accrued interest in NPL) and loss allowances for expected credit loss as per accounting standards shall be adjusted in the Finance Business Act Directions No.03 of 2018 – Capital Adequacy Requirements or as amended.
- 7.1.5 LFCs shall submit all periodical information pertaining to regulatory provisioning on memorandum basis, based on statutory returns to CBSL in accordance with the Direction 7.2 below.
- 7.1.6 LFCs shall maintain adequate data/records and systems separately to identify, reconcile and report expected credit loss allowances under the Sri Lanka Accounting Standards and the regulatory provisioning requirements, in accordance with Direction 7.2 below.

7.2 Regulatory Provisioning

- 7.2.1 An LFC shall maintain specific provisions, as per the credit facilities categorized in Table 1 and 2, Appendix B on the amount outstanding, net of realizable security value of collaterals as specified in Appendix C and accrued interest on NPL specified in Direction 7.3 as per the following:

Categories of Non-performing Credit Facilities	Minimum Specific Provisioning Requirement
Special mention	5%
Substandard	20%
Doubtful	50%
Loss	100%

- 7.2.2 The amount of specific provision made earlier, in respective of rescheduled NPLs of the respective categories, could also be reversed only after the period specified in Table 3, Appendix B.
- 7.2.3 An LFC shall provide for multiple credit facilities based on the credit assessment of the borrower.
- 7.3 **Accrued interest on NPLs**
On a memorandum basis, an LFC shall report the accrued interest but uncollected from the date a credit facility is classified as NPL.
- 7.4 **Write off/write down of non-performing credit facilities**
An LFC shall have a well-designed write off/write down policy approved by the BoD.
8. Transitional provisions
- 8.1 As a transitional provision in classifying for Special mention category, LFCs shall adopt 120 past due date with effect from 01.04.2021 for 12 months and required to adopt 90 past due date for classifications with effect from 01.04.2022.
9. Definition
- 9.1 “Director” means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
10. Revocation of Previous Direction
- 10.1 The Finance Companies (Provision for Bad and Doubtful Debts) Direction No. 03 of 2006 and the Finance Companies (Accrued Interest) Direction No. 15 of 1991 will be revoked from effective date of these Directions.

Prof. W D Lakshman

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

Appendix A, B and C of this Direction are available at https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Finance_Business_Act_Direction_No_1of_2020_e.pdf

Finance Leasing Act Directions No. 01 of 2020

17 February 2020

CLASSIFICATION AND MEASUREMENT OF CREDIT FACILITIES

In terms of powers conferred by Section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred to as “Director”) has determined the classification and measurement of credit facilities for Specialized Leasing Companies (SLCs) as follows;

1. Applicability of the direction
- 1.1 These Directions set out the minimum requirements on the classification and measurement of all credit facilities granted by an SLC with the adoption of Sri Lanka Accounting Standard, ‘SLFRS 9: Financial Instruments’ issued by the Council of Chartered Accountants of Sri Lanka and prudential requirements of the Central Bank of Sri Lanka (CBSL).

- 1.2 The credit facilities shall include the following;
 - (a) All financial instruments measured at amortized cost as per SLFRS 9.
 - (b) Off-balance sheet credit facilities with a commitment to accept contingent liabilities, including guarantees, bonds, warranties, letters of credit and acceptances.
2. Effective date
 - 2.1 These Directions are effective for financial years beginning on or after 1 April 2021.
3. Responsibility of the board of directors and senior management
 - 3.1 The Board of Directors (BoD) and senior management of an SLC is responsible to establish credit risk management framework, including effective internal control system to consistently determine adequate impairment allowances in accordance with the SLC's Board approved policies, applicable accounting standards and regulatory requirements.
4. Classification of credit facilities
 - 4.1 **Credit facilities**
 - 4.1.1 An SLC shall classify the credit facilities as Performing loans (PLs) and non-performing loans (NPLs) in terms of Direction 4.1.2 and 4.1.3.
 - 4.1.2 PLs shall mean all credit facilities other than NPLs classified in terms of Direction 4.1.4.
 - 4.1.3 An SLC shall classify credit facilities as NPLs based on the two criteria; i.e., based on period and/or on potential risk.
 - 4.1.4 An SLC shall at minimum, classify every credit facility as NPL based on the period and / or on potential risk are given at Table 1 and 2, Appendix A.
 - 4.2 **Rescheduled credit facilities**
 - 4.2.1 When rescheduling, age should be considered in aggregate, the period of time the credit facility was in arrears before rescheduling and after rescheduling for the purpose of classification.
 - 4.2.2 When rescheduling occurs before a credit facility is classified as NPL, SLCs may disregard aggregating the period of time the credit facility was in arrears if the borrower continues to service the loan for periods specified in Table 3, Appendix A, applicable for Special mentioned category.
 - 4.2.3 When rescheduling occurs after a credit facility is classified as NPL, the rescheduled credit facility shall be classified as NPL when, in aggregate, the period of time the credit facility was in arrears before rescheduling and after rescheduling exceeds the time period specified in Table 1, Appendix A, in respective credit facilities.
 - 4.3 **Reclassification of credit facilities**
 - 4.3.1 **Reclassification of NPLs to PLs**

An SLC shall reclassify NPLs as PLs, if such NPLs meet the following criteria;

 - (i) Principle and interest in arrears are fully paid by the borrower in relation to the classified NPLs or upon the confirmation to the satisfactory performance of the credit facilities classified as NPLs under potential risk, and after ensuring that the repayment of the remaining principle and interest are in accordance with the terms and conditions of the borrower.
 - (ii) A credit assessment of repayment capacity, cash flow and financial position of the borrower in line with the Direction 5 below shall be carried out prior to such reclassification of NPLs as PLs.

4.3.2 Reclassification of rescheduled NPLs as PLs

- (i) SLCs shall reclassify rescheduled credit facilities as PLs only if the borrower has complied with the rescheduled terms fully and demonstrates the ability to repay under rescheduled terms and conditions in the future.
- (ii) The NPLs which have been subjected to rescheduling, would be eligible to be upgraded to PLs only after ensuring satisfactory performance and subject to specified periods in Table 3, Appendix A in respective credit facilities.

4.4 Multiple credit facilities

An SLC shall classify for credit facilities based on the credit assessment of the borrower.

4.5 New credit facilities

SLCs shall not grant new credit facilities for repayment of NPL in the name of the same borrower or any other related party, unless such credit facility is also classified as NPL and categorized into the same category of the repaid credit facility as per categorization of non-performing credit facilities (Table 1, Appendix A). The reclassification of such NPL as a PL shall be subject to Direction 4.3.

5. Categorization of Non-performing credit facilities

5.1 An SLC at a minimum shall categorize the credit facilities into four credit grades as special mention, substandard, doubtful and loss given at Table 1, Appendix A.

6. Measurement for expected credit losses

6.1 An SLC shall recognize the loss allowance for expected credit losses for all the credit facilities as per Sri Lanka Accounting Standard, 'SLFRS 9: Financial Instruments', (as amended).

6.2 Multiple credit facilities

6.2.1 An SLC shall provide for credit facilities above a certain materiality threshold based on the credit assessment of the borrower, except for homogenous credit exposures (e.g. housing loans, consumer loans, credit card receivables) below a certain materiality threshold.

6.2.2 An SLC shall pool all homogenous credit exposures together except 6.2.1 above, and provide for collectively based on risk characteristics.

6.2.3 An SLC shall develop an internal rating if 6.2.1 and 6.2.3 above are combined and shall provide for based on the credit assessment of the borrower.

7. Regulatory requirement

7.1 Regulatory Provisioning

7.1.1 An SLC shall maintain specific provisions, as per the credit facilities categorized in Table 1 and 2, Appendix A on the amount outstanding, net of realizable security value of collaterals as specified in Appendix B and accrued interest on NPL specified in section 7.2 as per the following:

Categories of Non-performing Credit Facilities	Minimum Specific Provisioning Requirement
Special mention	5%
Substandard	20%
Doubtful	50%
Loss	100%

7.1.2 The amount of specific provision made earlier, in respect of rescheduled NPLs of the respective categories, could also be reversed only after the period specified in Table 3, Appendix A.

7.1.3 An SLC shall provide for multiple credit facilities based on the credit assessment of the borrower.

7.2 Accrued interest on NPLs

On a memorandum basis, an SLC shall report the accrued interest but uncollected from the date a credit facility is classified as NPL.

7.3 Write off/write down of non-performing credit facilities

An SLC shall have a well-designed write off/write down policy approved by the BoD.

8. Transitional provisions

8.1 As a transitional provision in classifying for Special mention category, SLCs shall adopt 120 past due date with effect from 01.04.2021 for 12 months and required to adopt 90 past due date for classifications with effect from 01.04.2022.

9. Definition

9.1 "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

10. Revocation of Previous Direction

10.1 The Finance Leasing (Provision for Bad and Doubtful Debts) Direction No. 02 of 2006 and the Finance Leasing (Accrued Interest) Direction No. 05 of 2005 will be revoked from effective date of these Directions.

J P Gamalath

Director, Department of Supervision of Non-Bank Financial Institutions, Central Bank of Sri Lanka

Appendix A and B of this Direction are available at https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Finance_Leasing_Act_Direction_No_1of_2020_e.pdf

Circular No. 01 of 2020

10 March 2020

CREDIT SUPPORT TO ACCELERATE ECONOMIC GROWTH

With a view to accelerating economic growth in the country, special credit support scheme to eligible Small and Medium Enterprise borrowers of Banking sector had been introduced. Subsequently, discussion has been held with representatives of Financial Sector and the Secretary to the President at the Presidential Secretariat emphasizing the importance of introducing similar scheme to the borrowers of the Non-Bank Financial Institutions Sector.

Based on the discussions the Central Bank of Sri Lanka (CBSL) had with the representatives of Non-Bank Financial Institutions Sector, this Circular sets out the guidelines for giving effect to the Scheme in a consistent manner across Non-Bank Financial Institutions Sector.

1. General Terms and Conditions

- (i) Eligible Borrowers: Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) may grant a special credit support for the individuals and entities who have engaged in income generating activities, already classified as Non-Performing as at 31.12.2019 and have registered with relevant business registration authority for their business activities.
- (ii) The credit support scheme shall not apply in respect of contracts which have terminated and repossessed or terminated and legal action initiated in court.
- (iii) LFCs/SLCs shall offer the credit support scheme to all eligible borrowers upon a written request being made by such borrowers on or before 31.03.2020.
- (iv) Borrowers who fails to service the instalments under rescheduled credit facilities as required in Section 2 and 3 below will not be entitled to enjoy the benefits¹ of this scheme and will be considered as non-participants of this scheme.
- (v) The operating details of the scheme are as set out in Section 2 to 5.

¹. Waiver of penal interest and deferred interest and capital moratorium

2. Leasing and hire purchase facilities

- (i) The total penal interest accrued and unpaid shall be waived and 10% of the accumulated and unpaid interest (after waiver of penal interest) of the defaulted instalments up to the date of consideration by the LFC/SLC under this scheme shall be deferred. The deferred interest shall be waived by the LFC/SLC, after the borrower settles the rescheduled loans in the manner provided in Section 2 (ii) below.
- (ii) Rescheduling of leasing and hire purchase facilities shall be as follows: The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled.
 - (a) Where the borrower has repaid 50% or more of the initial capital, the balance portion of interest of the defaulted instalments, future interest and balance capital outstanding shall be rescheduled and repaid over a period of twice the remaining maturity period of the original loan or four year whichever is lower.
 - (b) Where the borrower has repaid less than 50% but at least 25% of the initial capital, the balance portion of interest of the defaulted instalments, future interest and balance capital outstanding shall be rescheduled and repaid over a period of twice the remaining maturity period of the original loan or five years whichever is lower.

3. Credit facilities excluding leasing and hire purchase facilities

- (i) Capital moratorium for credit facilities shall be as follows:
 - (a) The borrowers' of eligible credit facilities other than the borrowers obtained a leasing/hire purchase facility will be eligible for a six-months grace period for the capital repayment of loans referred in Section 3.
 - (b) During the period of the credit support scheme, borrowers shall be required to continue to service the interest due on credit facilities considered under this scheme in a timely manner in accordance with the condition applicable to this scheme.
 - (ii) The total penal interest accrued and unpaid shall be waived and 10% of the accumulated and unpaid interest (after waiver of penal interest) of the defaulted instalments up to the date of consideration by the LFC/SLC under this scheme shall be deferred. The deferred interest shall be waived by the LFC/SLC, after the borrower settles the rescheduled loans in the manner provided in Section 3 (iii) below.
 - (iii) Rescheduling of credit facilities shall be as follows: The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled.
 - (a) Where the borrower has repaid 50% or more of the initial capital, the balance portion of interest of the defaulted instalments, future interest and balance capital outstanding shall be rescheduled and repaid over a period of twice the remaining maturity period of the original loan at the end of six-month grace period or four year whichever is lower.
 - (b) Where the borrower has repaid less than 50% but at least 25% of the initial capital, the balance portion of interest of the defaulted instalments, future interest and balance capital outstanding shall be rescheduled and repaid over a period of twice the remaining maturity period of the original loan at the end of six month grace period or five years whichever is lower.
4. LFCs/SLCs shall maintain necessary documents to substantiate the granting of such credit support scheme.
5. LFCs/SLCs shall report the special credit scheme availed by borrowers as per the format in Annex I to the Director, Department of Supervision of Non-Bank Financial Institutions as at 15th and 30th of each month, within 5 workings days commencing from 30.04.2020.

J P Gamalath
**Director, Department of Supervision of
Non-Bank Financial Institutions,
Central Bank of Sri Lanka**

Circular No. 04 of 2020

24 March 2020

RELIEF MEASURES TO ASSIST COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

In line with the decision taken by the Cabinet of Ministers at the Cabinet meeting held on 20.03.2020 on the Direction issued by His Excellency the President to provide relief measures to assist businesses and individuals who are adversely affected by the prevailing Covid-19 outbreak, the Central Bank of Sri Lanka hereby issues this Circular to the licensed commercial banks, licensed specialised banks and leasing companies, hereinafter referred to as financial institutions.

1. All such financial institutions shall implement a debt moratorium (on capital and interest) as follows:
 - a. A six-month moratorium on the leasing rentals of all three-wheelers, school vans, lorries, small goods transport vehicles and buses operated by the self-employed;
 - b. A moratorium until 30.05.2020 on personal loans granted to all private sector non-executive employees;
 - c. A three-month moratorium for all personal loans and leasing rentals of value less than Rs. 1 million; and
 - d. A six-month debt moratorium for affected industries in small & medium enterprises, tourism, apparel, plantation, IT and related logistic service providers.
2. Financial institutions shall provide working capital requirements at an interest rate of 4% and waive-off interest payments for at least 6 months for sectors in item 1(d) above. An interest subsidy will be included in refinance.
3. Financial institutions are required to accommodate customers to submit loan applications for items 1 and 2 above until 30.04.2020 and financial institutions are required to finalise the same within 45 days.
4. Financial institutions shall charge a maximum interest rate of 15 per cent on local credit card transactions of value up to Rs. 50,000; the minimum monthly payment on credit cards shall be reduced by 50 percent; and repayment of all credit cards below the limit of Rs. 50,000 to be extended until 30.04.2020.
5. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,000 until 30.04.2020.
6. All branches of licensed banks shall be kept open from 8.00 a.m. to 1.00 p.m. on non-curfew days with a minimum number of employees, and the corporate branches shall be kept open during curfew days to facilitate international transactions relating to food, medicine, travel and other customers.
7. Detailed instructions on foregoing shall be issued on 27.03.2020.

Prof. W D Lakshman

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

Explanatory Note No. 01 Of 2020

**Central Bank of Sri Lanka
25 March 2020.**

INTERPRETATIONS FOR CIRCULAR NO. 04 OF 2020 ON RELIEF MEASURES TO ASSIST COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

The following interpretations are issued in relation to the Circular No.04 of 2020 dated 24 March 2020 on moratorium granted to affected business and individuals due to outbreak of COVID-19.

1. In line with the Cabinet decision, Central Bank of Sri Lanka issued Circular to the licensed commercial banks, licensed specialized banks and leasing companies including licensed finance companies.
2. Financial institutions are required to accommodate customers upon a written request being made by such customers for item 1 and 2 of the above circular until 30.04.2020 and financial institutions are required to finalise the same within 45 days.
3. All branches of financial institutions shall be kept open from 8.00 a.m. to 1.00 p.m. on non-curfew days with a minimum number of employees.

Circular No. 05 of 2020

27 March 2020

RUPEES 50 BILLION, SIX-MONTH RE-FINANCING FACILITY TO SUPPORT COVID-19 HIT BUSINESSES INCLUDING SELF EMPLOYMENT AND INDIVIDUALS

1. Introduction

- (i) The Central Bank of Sri Lanka has decided to set up the above Re-financing Facility in order to implement the decisions taken by the Cabinet of Ministers on 20.03.2020 to introduce a wide range of fiscal and financial concessions for COVID-19 hit business activities including self-employment businesses and individuals. Among these concessions are debt moratorium (capital and interest) and a working capital loan at the interest rate of 4% p.a. for eligible customers.
- (ii) The licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies (hereinafter referred to as Financial Institutions) will be eligible to participate in this re-financing facility to support COVID-19 hit businesses including self-employment businesses and individuals commencing 25.03.2020.
- (iii) This Circular is issued to supplement the Circular No. 04 of 2020 dated 24.03.2020 and sets out the operational guidelines to give effect to the re-financing facility.

2. General Terms and Conditions of the Financing Facility

- (i) Eligible businesses/sectors:
 - (a) Tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation and related logistic suppliers that have been adversely affected by work disruption and overseas lockdowns resulting from COVID – 19.
 - (b) 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.
 - (c) Self-employment businesses and individuals who have lost their jobs or income due to the outbreak of COVID-19.
 - (d) Foreign currency earners (individuals and corporates) who have to repay loans in foreign currency and whose incomes/ businesses have been adversely affected due to the outbreak of COVID-19.
- (ii) For the avoidance of doubt, import facilities shall not be permitted under this re-finance facility, for imports other than pharmaceutical drugs, medical equipment, food, fertilizer and essential raw materials and machinery and equipment.
- (iii) Credit facilities to be supported under this Financing Scheme shall be term loans, leasing facilities, pawning, overdrafts and trade finance facilities denominated in Rupees and foreign currency subject to the requirements specified.
- (iv) Financial institutions shall offer concessions under this Scheme to all borrowers who have been affected by work disruption due to COVID – 19 and overseas lockdowns and requested relief through online facilities or other communication arrangements before 30.04.2020. The financial institutions shall complete processing of such requests within 45 days from the date of receipt of the request. Until the processing of requests is concluded recovery of loans from the respective applicants shall be suspended.

3. Concessions for Existing Performing Loans as at 25.03.2020

- (i) Upon a communication by a borrower requesting concessions under this scheme on or before 30.04.2020, the financial institutions shall offer a debt moratorium for the period as given below in respect of all eligible Rupee and foreign currency term loans.
 - (a) A six-month debt moratorium on the leasing rentals of all three-wheelers, school vans, lorries, small goods transport vehicles and buses, and related assets such as motor bikes and taxis operated by the self-employed/ owners.
 - (b) A debt moratorium until 30.05.2020 on personal loans granted to all private sector non-executive employees.
 - (c) A three-month debt moratorium for all personal loans and leasing where the granted amount is less than Rs. 1 million.
 - (d) A six-month debt moratorium for affected industries in small & medium enterprises, tourism, apparel, plantation, IT and related logistic service providers.
 - (e) A six-month debt moratorium for all other eligible businesses/sectors specified under 2 (i) above.

- (ii) Financial institutions shall extend the existing tenure of loans eligible for debt moratorium by the respective moratorium period.
- (iii) Permanent Overdraft facilities falling due for settlement or maturing or are reviewed during the period up to 25.03.2020 shall be extended up to 30.09.2020. However, in the case of Temporary Overdraft facilities as at 25.03.2020, the expiry shall be extended by two months for eligible borrowers. Interest rate on such facilities will be capped at 13 percent during the extended period
- (iv) Eligible trade finance facilities falling due for settlement or maturing or were under review during the period up to 25.03.2020 shall be extended up to 30.09.2020.
- (v) Pawning facilities falling due for settlement or maturing during the period up to 25.03.2020 shall be extended up to 30.09.2020.

4. Concessions for Existing Non-Performing Loans (NPLs) as at 25.03.2020

- (i) The penal interest charged up to 25.03.2020 shall be waived off by the concerned financial institutions.
- (ii) Rescheduling of loans and advances shall be as follows:
 - (a) Where the borrower has repaid 50% or more of the initial capital, 50% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the concerned financial institutions under this re-financing facility shall be deferred. The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled over a 3-year period. The deferred interest shall be waived by the financial institution, after the borrower settles the rescheduled loans in the manner provided in para (c) and (d) below.
 - (b) Where the borrower has repaid less than 50% of the initial capital, 25% of the accumulated and unpaid interest (after waiver of penal interest referred to above) of the defaulted instalments up to the date of consideration by the financial institution under this re-financing facility shall be deferred. The balance capital outstanding, balance portion of interest of the defaulted instalments and the future interest shall be rescheduled over a 3 year period. The deferred interest shall be waived by the financial institutions concerned, after the borrower settles the rescheduled loans in the manner provided in para (c) and (d) below.
 - (c) The balance capital outstanding referred to in paragraphs (a) and (b) above shall be rescheduled and repaid over a period of 3 years.
 - (d) The balance portion of interest of the defaulted instalments and the future interest referred to in paragraphs (a) and (b) above shall be transferred to a suspense account and recovered over a period of 3 years.
 - (e) A moratorium up to 30.09.2020 shall be granted.
 - (f) Licensed banks may reclassify NPLs under this Scheme as performing loans and advances provided that the borrower has serviced interest for six consecutive months during the debt moratorium period, if required. However, in the case of instalments in arrears before rescheduling the NPL facility is less than six months, upgrading to performing category shall be done only after the borrower has serviced interest for a period equal to instalments in arrears before rescheduling the NPL facility.
- (iii) Suspension of recovery actions
 - (a) In the case of eligible borrowers who are in the NPL category as at the date of this Circular, if financial institutions have commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990 or Mortgage Act No. 06 of 1949 as amended or Finance Leasing Act No. 56 of 2000, such recovery action will be suspended on condition that the concerned financial institution and the client reach a debt re-payment agreement.
 - (b) Financial institutions shall defer passing new resolutions under the above Acts, for recovery of loans and advances in respect of borrowers participating in this Scheme. In instances where resolutions for recovery have already been passed, auctioning of assets will be suspended until 30.09.2020 in respect of such borrowers who are participants in the Scheme.
 - (c) In instances where there are on-going litigations in courts relating to recovery, borrowers will be permitted to participate in the Scheme upon entering into an agreement by submission of affidavit to Courts agreeing to comply with the requirements set out in this Scheme.

- (d) All financial institutions shall suspend legal action against non-performing borrowers who have been accepted under this Scheme.

5. New Working Capital or Investment Purpose Loan

- (i) Financial institutions may grant an additional loan or a new loan facility in Rupees for working capital or investment purposes subject to the following conditions, provided that the borrower submits a credible business plan:
- (a) The working capital purpose loan facility shall be granted to eligible performing and non-performing borrowers in Rupees not exceeding 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, based on the requirement for working capital cycle. Such loan shall be repaid over two years at an interest rate equal to 4% p.a. CBSL will subsidise interest cost up to 4% for licensed banks and up to 7% for other financial institutions as a rebate.
- (b) The investment purpose loan facility shall be granted only by banks and only for performing borrowers in Rupees not exceeding Rs. 300 mn per bank per borrower to expand business activities. Such loan shall be repaid over five years at an interest rate equal to maximum of AWPLR plus 1.5%.
- (ii) Financial institutions shall properly evaluate the funding requirement of the borrower and agree on the loan size.
- (iii) A moratorium for a period 25.03.2020 to 30.09.2020 will be granted for both working capital loans and investment loans.
- (iv) Financial institutions may obtain suitable collateral to mitigate the risk relating to any additional credit facilities granted under this re-finance facility.

6. Repayment of Capital by Banks under Refinance Schemes

The Government has indicated its willingness to defer capital repayments on refinance loans granted to licensed banks falling due from 01.01.2020 until 31.12.2020. However, banks are required to seek extension if required and enter into supplementary agreements with the relevant Government agency in this regard.

7. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- (i) Financial Institutions are expected to have a mechanism not to decline loan applications solely based on an adverse CRIB record.
- (ii) Financial Institutions, in consultation with CRIB, shall develop a reporting modality in respect of the capital deferment granted under this scheme to performing borrowers, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.
8. Financial institutions shall discontinue charging for cheque returns, stop payments, late payment fee on all credit cards and other credit facilities during the period up to 30.09.2020.

9. Reporting Requirement

Financial institutions shall report the details of moratorium availed by their borrowers to the Bank Supervision Department and the Department of Supervision of Non-bank Financial Institutions, as relevant, as at 15th and 30th of each month, within 5 working days, commencing from 01.05.2020.

Prof. W D Lakshman
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

Finance Business Act Directions No. 02 of 2020

31 March 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.

1. 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, savings deposits and non-transferable certificate 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.

4.1 Sri Lanka Government Treasury Bills, Sri Lanka Government Securities and the Central Bank of Sri Lanka securities requirement.

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 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**

Finance Leasing Act Directions No. 02 of 2020

31 March 2020

AMENDMENTS TO DIRECTIONS ON LIQUID ASSETS

In terms of the powers conferred by section 34 of the Finance Leasing Act, No.56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions issues the following amendments to the Finance Leasing (Liquid Assets) Direction No.4 of 2012 issued for Specialized Leasing Companies (SLCs).

Accordingly, the section 1 of the Finance Leasing (Liquid Assets) Direction No. 4 of 2012 shall be replaced with the following.

1. Every SLC shall maintain minimum liquid assets at the close of the business on any day of an amount not less than 5 per cent of the total liabilities and off balance sheet items excluding liabilities to the shareholders, securitizations and asset backed long term (over one year) borrowings.
2. These Directions shall be effective for period of Six (6) months from the date of these directions in order to facilitate the SLCs to overcome the outbreak of COVID 19.

J P Gamalath

**Acting Director, Department of Supervision of Non-Bank
Financial Institutions, Central Bank of Sri Lanka**

Explanatory Note No. 02 Of 2020

Central Bank of Sri Lanka
24 April 2020

**INTERPRETATIONS FOR CIRCULAR NO. 04 OF 2020 ON RELIEF MEASURES TO
ASSIST COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS
AND**

**CIRCULAR NO.5 OF 2020 ON RUPEES 50 BILLION, SIX-MONTH RE-FINANCING FACILITY TO SUPPORT COVID-19
HIT BUSINESSES INCLUDING SELF EMPLOYMENT AND INDIVIDUALS**

It was observed that there are different loan types or different names used by different companies in addition to the general loan facilities they provided like “term loans” “leases”, etc., and several customer complaints have received by us and the CBSL management that LFCs/SLCs are refusing to provide moratorium for those types of facilities saying that such loans are not covered in the cited circulars.

We would like to inform you that though those different names are not mentioned in the circulars issued by CBSL, if these facilities have obtained for the sectors identified in the Section 2 of the circular No 5 of 2020, and Individual's income/Business have been really affected by covid-19 and with sufficient proof of documents that person/Business obtained the facility for that purpose, those customers are eligible for the moratorium. i.e., customer may have obtained a facility for tourism related activity but the loan name is not mentioned in the circular. If customer can prove that facility has obtained for the tourism related activity and his income got affected due to the current situation, he is eligible for the moratorium.

Finance Business Act Directions No. 3 of 2020

24 April 2020

**AMENDMENTS TO DIRECTIONS ON LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED IN
RESPECT OF MOTOR VEHICLES**

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

The Central Bank of Sri Lanka issues Directions as follows for implementation of loan to value ratios in respect of credit facilities granted by Licensed Finance Companies (LFCs), for the purpose of purchase or utilisation of motor vehicles.

1. The following will replace Directions 1 (i) of the Finance Business Act Directions No.02 of 2019 – Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in respect of Motor Vehicles.
 - (i) Credit facilities granted by LFCs for the purpose of purchase or utilisation of motor vehicles shall not exceed the following percentages of the market value of such vehicles.
 - (a) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;

Table 1 – Loan to Value Ratio

Vehicle Category	Vehicle Class of Department of Motor Traffic	Electric Vehicles	Other
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J	90%	90%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	90%	50%
Locally Assembled Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	90%	70%
Three wheelers	B1	90%	25%
Light trucks	B	90%	90%
Any other vehicle	A1, A and single cabs categorized under B	90%	70%
Hybrid Motor Cars, Vans and SUVs	B (other than light trucks & single cabs)	50%	

- (b) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Finance Leasing Act Directions No. 03 of 2020

24 April 2020

AMENDMENTS TO DIRECTIONS ON LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED IN RESPECT OF MOTOR VEHICLES

Issued under Section 34 of the Finance Leasing Act, No.56 of 2000.

The Central Bank of Sri Lanka issues Directions as follows for implementation of loan to value ratios in respect of credit facilities granted by Specialized Leasing Companies (SLCs) for the purpose of purchase or utilisation of motor vehicles.

1. The following will replace Directions 1 (i) of the Finance Leasing Act Directions No. 01 of 2019 - Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in respect of Motor Vehicles.
 - (i) Credit facilities granted by SLCs for the purpose of purchase or utilisation of motor vehicles shall not exceed the following percentages of the market value of such vehicles until further notice.
 - (a) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;

Table 1 – Loan to Value Ratio

Vehicle Category	Vehicle Class of Department of Motor Traffic	Electric Vehicles	Other
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J	90%	90%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	90%	50%
Locally Assembled Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	90%	70%
Three wheelers	B1	90%	25%
Light trucks	B	90%	90%
Any other vehicle	A1, A and single cabs categorized under B	90%	70%
Hybrid Motor Cars, Vans and SUVs	B (other than light trucks & single cabs)	50%	

- (b) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration.

J P Gamalath

**Director, Department of Supervision of Non-Bank
Financial Institutions, Central Bank of Sri Lanka**

Finance Business Act Directions No. 04 of 2020

24 April 2020

AMENDMENTS TO THE MAXIMUM INTEREST RATES ON DEPOSITS AND DEBT INSTRUMENTS

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

The Monetary Board hereby issues Direction on maximum interest rates to be paid in respect of deposits and debt instruments of Licensed Finance Companies (LFCs).

1. The following will replace Direction 1.1.(i) and Direction 1.2 of the Finance Business Act Direction No.01 of 2019 on Maximum Interest Rates on Deposits and Debt Instruments of LFCs.
 - 1.1. The maximum interest rates that may be offered or paid by an LFC on Sri Lanka Rupee (LKR) deposits shall;
 - (i) Not exceed the interest rates derived in accordance with Table 01 below;

Table 01**Maximum Interest Rates at Maturity for deposits of LFCs**

Tenure of Deposit	Maximum Interest Rate Per annum
Savings and other deposits of a tenure of less than 01 month or maturity is not specified	SDFR

Term Deposits	
01 month and less than 03 months	T-bill rate
03 months and less than 06 months	T-bill rate + 0.25%
06 months and less than 01 year	T-bill rate + 0.50%
01 year and less than 02 years	T-bill rate + 2.00%
02 years and less than 03 years	T-bill rate + 2.75%
03 years and less than 05 years	T-bill rate + 3.25%
05 years	T-bill rate + 3.75%

- 1.2. The maximum interest rates that may be offered or paid by an LFC on debt instruments shall not exceed the rates derived in accordance with Table 02 below;

Table 02

Maximum Interest Rates at Maturity for debt instruments of LFCs

Tenure of debt instruments	Maximum Interest Rate
Less than 01 year	T-bill rate + 0.50%
01 year and less than 02 years	T-bill rate + 2.75%
02 years and less than 03 years	T-bill rate + 3.25%
03 years and less than 05 years	T-bill rate + 3.75%
05 years	T-bill rate + 4.25%

2. The Finance Business Act Directions No. 03 of 2019 – Amendments to the Maximum Interest Rates on Deposits and Debt Instruments dated 18.10.2019 is withdrawn with effect from the date of this direction.

Prof. W D Lakshman

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

**Explanatory Note No. 03 of 2020 on Interest Accrual
during the moratorium period**

Department of Supervision of
Non-bank Financial Institutions
Central Bank of Sri Lanka
04 May 2020

**INTERPRETATIONS FOR CIRCULAR NO. 04 OF 2020 ON RELIEF MEASURES TO
ASSIST COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS
AND**

**CIRCULAR NO.5 OF 2020 ON RUPEES 50 BILLION, SIX-MONTH RE-FINANCING FACILITY TO SUPPORT
COVID-19 HIT BUSINESSES INCLUDING SELF EMPLOYMENT AND INDIVIDUALS**

The following explanations are given with regard to interest accrual during the moratorium period for Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs).

1. Interest shall continue to be accrued during the moratorium period on a concessionary rate and such accrued interest shall be converted in to a new interest free term loan, which shall be recovered from the borrower.

e.g., for calculation of Monthly Interest Charge :

*Interest charge per month of April 2020 = Outstanding loan amount at the commencement of the moratorium period
(Beginning of April 2020) * (concessionary rate/12)*

2. LFCs and SLCs shall recover the interest free loan from the borrower using the two options given below with the consent of the eligible borrower.

Option 01: LFCs/SLCs shall recover the interest free term loan in **equated monthly installments** after the end of the moratorium period and the repayment period shall be two years or remaining maturity period of the credit facility whichever is **lower**. The concessionary rate for the Option 1 shall be one third (1/3) of the contractual rate subject to a **cap of 6.5%**.

Option 2: LFCs/SLCs shall recover the interest free term loan after the end of the contractual period (extended contractual period after considering the moratorium) in installments not exceeding the monthly instalment of the original contract. The concessionary rate that can be charged to Option 2 shall be one third (1/3) of the contractual rate **plus 1%** subject to a **cap of 7.5%**.

3. The **consent of the borrower** shall be obtained for the option selected, after duly explaining the different implications of the options considered including total interest cost to be paid and time value of money.

Example 01: Option 01	
Loan Grant Date	01-April 2019
Loan Amount	Rs. 2,000,000
Loan Period (Original)	24 months
Interest rate	16% p.a.
Monthly Instalment (Derived)	Rs. 97,926
Remaining maturity as at end March 2020 (Original remaining maturity+ Moratorium Period)	18 months
Remaining maturity after the moratorium period as at end September 2020	12 months

(a.) Moratorium will be applicable for the installments from April 2020 to September 2020. Customer will commence the repayment from October 2020 at a monthly installment of Rs. 97,926 until end September 2021.

(b.) The interest accrual during the moratorium period will be, Rs. 29,104 (1/3 of 16% per month for 6 months) shall be converted into an interest free term loan for a period 12 months. The value shall be recovered from customers in equal monthly installments of 12 months (i.e. the lower of 24 months or remaining maturity after the end of moratorium period), at Rs. 2,425 per month.

Example 02: Option 01	
Loan Grant Date	01-April 2019
Loan Amount	Rs. 2,000,000
Loan Period (Original)	60 months
Interest rate	24% p.a.
Monthly Instalment (Derived)	Rs. 57,536
Remaining maturity as at end March 2020 (Original remaining maturity+ Moratorium Period)	54 months
Remaining maturity after the moratorium period as at end September 2020	48 months

(a.) Moratorium will be applicable for the installments from April 2020 to September 2020. Customer will commence the repayment from October 2020 at a monthly installment of Rs. 57,536 until end September 2024.

(b.) The interest accrual during the moratorium period, Rs. 58,139 (cap rate of 6.5% for 6 months) shall be converted into an interest free term loan for a period 24 months. The value shall be recovered from customers in equal monthly installments of 24 months (lower of 24 months or remaining maturity after the end of moratorium period), at Rs. 2,422 per month.

Example 3: Option 02	
Loan Grant Date	01-April 2019
Loan Amount	Rs. 2,000,000
Loan Period (Original)	60 months
Interest rate	24% p.a.
Monthly Instalment (Derived)	Rs. 57,536

Remaining maturity as at end March 2020 (Original remaining maturity+ Moratorium Period)	54 months
Remaining maturity after the moratorium period as at end September 2020	48 months

- (a.) Moratorium will be applicable for the installments from April 2020 to September 2020. Customer will commence the repayment from October 2020 at a monthly installment of Rs. 57,536 until end September 2024.
- (b.) The interest accrual during the moratorium period, Rs. 67,223 (cap rate of 7.5% for 6 months) shall be converted into an interest free term loan and recovered after September 2024. The value shall be recovered from customer in two monthly installments not exceeding the original instalment of Rs. 57,536.

Example 01

Original loan amount	2,000,000
Interest Rate(IRR)	16%
Expiry Date	Mar-21
Installment	97,926.22
Period of the loan	24 months

Total Interest accrued during moratorium Period	29,103.15
Remaining maturity at the end of the moratorium period	12 months
Equated installment of the new term loan	2,425.26

	Capital O/S	Interest	Installment	Bal C/F
Apr-19	2,000,000	26,667	(97,926)	1,928,740
May-19	1,928,740	25,717	(97,926)	1,856,531
Jun-19	1,856,531	24,754	(97,926)	1,783,358
Jul-19	1,783,358	23,778	(97,926)	1,709,210
Aug-19	1,709,210	22,789	(97,926)	1,634,073
Sep-19	1,634,073	21,788	(97,926)	1,557,935
Oct-19	1,557,935	20,772	(97,926)	1,480,781
Nov-19	1,480,781	19,744	(97,926)	1,402,599
Dec-19	1,402,599	18,701	(97,926)	1,323,374
Jan-20	1,323,374	17,645	(97,926)	1,243,092
Feb-20	1,243,092	16,575	(97,926)	1,161,741
Mar-20	1,161,741	15,490	(97,926)	1,079,304
Apr-20	1,079,304	4,797		1,084,101
May-20	1,084,101	4,818		1,088,920
Jun-20	1,088,920	4,840		1,093,759
Jul-20	1,093,759	4,861		1,098,620
Aug-20	1,098,620	4,883		1,103,503
Sep-20	1,103,503	4,904		1,108,408
Oct-20	1,079,304	14,391	(97,926)	995,769
Nov-20	995,769	13,277	(97,926)	911,120
Dec-20	911,120	12,148	(97,926)	825,342
Jan-21	825,342	11,005	(97,926)	738,420
Feb-21	738,420	9,846	(97,926)	650,339
Mar-21	650,339	8,671	(97,926)	561,084
Apr-21	561,084	7,481	(97,926)	470,639

May-21	470,639	6,275	(97,926)	378,988
Jun-21	378,988	5,053	(97,926)	286,115
Jul-21	286,115	3,815	(97,926)	192,004
Aug-21	192,004	2,560	(97,926)	96,638
Sep-21	96,638	1,289	(97,926)	0

Example 2

Original loan amount	2,000,000
Interest Rate(IRR)	24%
Expiry Date	Mar-24
Installment	57,535.93
Period of the loan	60 months

Total Interest accrued during moratorium Period	58,139
Remaining maturity at the end of the moratorium period	48
Equated installment of the new term loan	2,422.44

	Capital O/S	Interest	Installment	Bal C/F
Apr-19	2,000,000	40,000	(57,536)	1,982,464
May-19	1,982,464	39,649	(57,536)	1,964,577
Jun-19	1,964,577	39,292	(57,536)	1,946,333
Jul-19	1,946,333	38,927	(57,536)	1,927,724
Aug-19	1,927,724	38,554	(57,536)	1,908,742
Sep-19	1,908,742	38,175	(57,536)	1,889,381
Oct-19	1,889,381	37,788	(57,536)	1,869,633
Nov-19	1,869,633	37,393	(57,536)	1,849,490
Dec-19	1,849,490	36,990	(57,536)	1,828,944
Jan-20	1,828,944	36,579	(57,536)	1,807,986
Feb-20	1,807,986	36,160	(57,536)	1,786,610
Mar-20	1,786,610	35,732	(57,536)	1,764,807
Apr-20	1,764,807	9,559		1,774,366
May-20	1,774,366	9,611		1,783,977
Jun-20	1,783,977	9,663		1,793,640
Jul-20	1,793,640	9,716		1,803,356
Aug-20	1,803,356	9,768		1,813,124
Sep-20	1,813,124	9,821		1,822,945
Oct-20	1,764,807	35,296	(57,536)	1,742,567
Nov-20	1,742,567	34,851	(57,536)	1,719,882
Dec-20	1,719,882	34,398	(57,536)	1,696,744
Jan-21	1,696,744	33,935	(57,536)	1,673,143
Feb-21	1,673,143	33,463	(57,536)	1,649,070
Mar-21	1,649,070	32,981	(57,536)	1,624,515
Apr-21	1,624,515	32,490	(57,536)	1,599,470
May-21	1,599,470	31,989	(57,536)	1,573,923
Jun-21	1,573,923	31,478	(57,536)	1,547,866
Jul-21	1,547,866	30,957	(57,536)	1,521,287

Aug-21	1,521,287	30,426	(57,536)	1,494,177
Sep-21	1,494,177	29,884	(57,536)	1,466,524
Oct-21	1,466,524	29,330	(57,536)	1,438,319
Nov-21	1,438,319	28,766	(57,536)	1,409,549
Dec-21	1,409,549	28,191	(57,536)	1,380,204
Jan-22	1,380,204	27,604	(57,536)	1,350,273
Feb-22	1,350,273	27,005	(57,536)	1,319,742
Mar-22	1,319,742	26,395	(57,536)	1,288,601
Apr-22	1,288,601	25,772	(57,536)	1,256,837
May-22	1,256,837	25,137	(57,536)	1,224,438
Jun-22	1,224,438	24,489	(57,536)	1,191,391
Jul-22	1,191,391	23,828	(57,536)	1,157,683
Aug-22	1,157,683	23,154	(57,536)	1,123,300
Sep-22	1,123,300	22,466	(57,536)	1,088,230
Oct-22	1,088,230	21,765	(57,536)	1,052,459
Nov-22	1,052,459	21,049	(57,536)	1,015,972
Dec-22	1,015,972	20,319	(57,536)	978,756
Jan-23	978,756	19,575	(57,536)	940,795
Feb-23	940,795	18,816	(57,536)	902,075
Mar-23	902,075	18,041	(57,536)	862,580
Apr-23	862,580	17,252	(57,536)	822,296
May-23	822,296	16,446	(57,536)	781,206
Jun-23	781,206	15,624	(57,536)	739,294
Jul-23	739,294	14,786	(57,536)	696,544
Aug-23	696,544	13,931	(57,536)	652,939
Sep-23	652,939	13,059	(57,536)	608,462
Oct-23	608,462	12,169	(57,536)	563,095
Nov-23	563,095	11,262	(57,536)	516,821
Dec-23	516,821	10,336	(57,536)	469,622
Jan-24	469,622	9,392	(57,536)	421,478
Feb-24	421,478	8,430	(57,536)	372,372
Mar-24	372,372	7,447	(57,536)	322,284
Apr-24	322,284	6,446	(57,536)	271,193
May-24	271,193	5,424	(57,536)	219,081
Jun-24	219,081	4,382	(57,536)	165,927
Jul-24	165,927	3,319	(57,536)	111,710
Aug-24	111,710	2,234	(57,536)	56,408
Sep-24	56,408	1,128	(57,536)	(0)

Example 3

Original loan amount	2,000,000
Interest Rate (IRR)	24%
Expiry Date	Mar-24
Installment	57,535.93
Period of the loan	60 months

Total Interest accrued during moratorium Period	67,223
Remaining maturity at the end of the moratorium period	48
Interest accrued to be recovered after end of the contractual period	
Installment 1	57,535.93
Instalment 2	9,687.04

	Capital O/S	Interest	Installment	Bal C/F
Apr-19	2,000,000	40,000	(57,536)	1,982,464
May-19	1,982,464	39,649	(57,536)	1,964,577
Jun-19	1,964,577	39,292	(57,536)	1,946,333
Jul-19	1,946,333	38,927	(57,536)	1,927,724
Aug-19	1,927,724	38,554	(57,536)	1,908,742
Sep-19	1,908,742	38,175	(57,536)	1,889,381
Oct-19	1,889,381	37,788	(57,536)	1,869,633
Nov-19	1,869,633	37,393	(57,536)	1,849,490
Dec-19	1,849,490	36,990	(57,536)	1,828,944
Jan-20	1,828,944	36,579	(57,536)	1,807,986
Feb-20	1,807,986	36,160	(57,536)	1,786,610
Mar-20	1,786,610	35,732	(57,536)	1,764,807
Apr-20	1,764,807	11,030		1,775,837
May-20	1,775,837	11,099		1,786,936
Jun-20	1,786,936	11,168		1,798,104
Jul-20	1,798,104	11,238		1,809,342
Aug-20	1,809,342	11,308		1,820,650
Sep-20	1,820,650	11,379		1,832,029
Oct-20	1,764,807	35,296	(57,536)	1,742,567
Nov-20	1,742,567	34,851	(57,536)	1,719,882
Dec-20	1,719,882	34,398	(57,536)	1,696,744
Jan-21	1,696,744	33,935	(57,536)	1,673,143
Feb-21	1,673,143	33,463	(57,536)	1,649,070
Mar-21	1,649,070	32,981	(57,536)	1,624,515
Apr-21	1,624,515	32,490	(57,536)	1,599,470
May-21	1,599,470	31,989	(57,536)	1,573,923
Jun-21	1,573,923	31,478	(57,536)	1,547,866
Jul-21	1,547,866	30,957	(57,536)	1,521,287
Aug-21	1,521,287	30,426	(57,536)	1,494,177
Sep-21	1,494,177	29,884	(57,536)	1,466,524
Oct-21	1,466,524	29,330	(57,536)	1,438,319
Nov-21	1,438,319	28,766	(57,536)	1,409,549
Dec-21	1,409,549	28,191	(57,536)	1,380,204
Jan-22	1,380,204	27,604	(57,536)	1,350,273
Feb-22	1,350,273	27,005	(57,536)	1,319,742
Mar-22	1,319,742	26,395	(57,536)	1,288,601
Apr-22	1,288,601	25,772	(57,536)	1,256,837
May-22	1,256,837	25,137	(57,536)	1,224,438

Jun-22	1,224,438	24,489	(57,536)	1,191,391
Jul-22	1,191,391	23,828	(57,536)	1,157,683
Aug-22	1,157,683	23,154	(57,536)	1,123,300
Sep-22	1,123,300	22,466	(57,536)	1,088,230
Oct-22	1,088,230	21,765	(57,536)	1,052,459
Nov-22	1,052,459	21,049	(57,536)	1,015,972
Dec-22	1,015,972	20,319	(57,536)	978,756
Jan-23	978,756	19,575	(57,536)	940,795
Feb-23	940,795	18,816	(57,536)	902,075
Mar-23	902,075	18,041	(57,536)	862,580
Apr-23	862,580	17,252	(57,536)	822,296
May-23	822,296	16,446	(57,536)	781,206
Jun-23	781,206	15,624	(57,536)	739,294
Jul-23	739,294	14,786	(57,536)	696,544
Aug-23	696,544	13,931	(57,536)	652,939
Sep-23	652,939	13,059	(57,536)	608,462
Oct-23	608,462	12,169	(57,536)	563,095
Nov-23	563,095	11,262	(57,536)	516,821
Dec-23	516,821	10,336	(57,536)	469,622
Jan-24	469,622	9,392	(57,536)	421,478
Feb-24	421,478	8,430	(57,536)	372,372
Mar-24	372,372	7,447	(57,536)	322,284
Apr-24	322,284	6,446	(57,536)	271,193
May-24	271,193	5,424	(57,536)	219,081
Jun-24	219,081	4,382	(57,536)	165,927
Jul-24	165,927	3,319	(57,536)	111,710
Aug-24	111,710	2,234	(57,536)	56,408
Sep-24	56,408	1,128	(57,536)	(0)
Oct-24	67,223	0	(57,536)	9,687
Nov-24	9,687	0	(9,687)	0

**Explanatory Note No. 04 of 2020 on Amendments
to Interest Accrual during the Moratorium Period**

Department of Supervision of
Non-Bank Financial Institutions
Central Bank of Sri Lanka
9th June 2020

**AMENDMENTS TO EXPLANATORY NOTE NO. 03 OF 2020 FOR CIRCULAR NO. 04 OF 2020 ON RELIEF
MEASURES TO ASSIST COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS
AND
CIRCULAR NO.5 OF 2020 ON RUPEES 50 BILLION, SIX-MONTH RE-FINANCING FACILITY TO SUPPORT
COVID-19 HIT BUSINESSES INCLUDING SELF-EMPLOYMENT AND INDIVIDUALS**

The Department of Supervision of Non-Bank Financial Institutions issues the following amendments to Explanatory Note No. 03 of 2020 on Interest Accrual during the moratorium period for Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) for Circular No. 04 of 2020 on Relief Measures to Assist Covid-19 affected Businesses and Individuals and Circular No.5 of 2020 on Rupees 50 billion, Six-month Re-financing Facility to Support Covid-19 hit Businesses including Self-employment and Individuals.

Paragraph 2 of Explanatory Note 03 on Interest Accrual during the Moratorium Period is amended as follows;

Option 1: LFCs/SLCs shall recover the interest free term loan in equated monthly installments after the end of the moratorium period and the repayment period shall be two years or remaining maturity period of the credit facility whichever is lower.

Option 2: LFCs/SLCs shall recover the interest free term loan after the end of the contractual period (extended contractual period after considering the moratorium) in installments not exceeding the monthly installment of the original contract.

The concessionary rate that can be charged to option 1 and option 2 shall be up to **11.5% per annum**. Further, the consent of the borrower shall be obtained for the option selected, after duly explaining the different implications of the options considered including total interest cost to be paid and time value of money.

Finance Business Act Directions No. 05 of 2020

18 June 2020

AMENDMENT TO THE CORPORATE GOVERNANCE DIRECTION

In terms of powers conferred by Section 12 of the Finance Business Act No.42 of 2011, the Monetary Board hereby issues the following amendment to the Finance Companies (Corporate Governance) Direction No. 03 of 2008, issued to Licensed Finance Companies (LFCs) in Sri Lanka.

Having considered the limited ability especially in the presently prevailing, challenging environment, of attracting experienced personnel with impeccable track records to the Board of Directors (BODs) of the non-banking financial institution sector, the Monetary Board considers that it is prudent to provide a degree of continuity in BODs, subject to the qualification that such continuity, from an objective perspective, is in the best interests of the LFCs.

- | | |
|---|--|
| 1. Applicability and Scope | Notwithstanding the provisions of Direction 5(1) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008, an LFC may, with the prior approval of the Monetary Board, permit a Director who is already holding office, and who attains the age of 70 years on or after the date of this Direction comes into effect, to continue in office as director, subject to strict adherence to the following requirements and conditions of this Direction and the accompanying Guidelines. |
| 2. Prior Approval of the Monetary Board | Any extension of the time period, will be subject to the prior approval of the Monetary Board. |
| 3. Terms and Conditions | The terms and conditions and the procedure to be followed, are stipulated in the Guidelines annexed to this Direction. |
| 4. Effective Date and Validity period | The Direction will be effective with immediate effect and the Direction shall be in effect for a period of three years from the date of the said Direction, subject to renewability upon the completion of three year period, at the discretion of the Monetary Board. |

Prof. W D Lakshman

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

Guideline on Determining the Fitness and Propriety of Directors Beyond the Age of 70 years up to Maximum of 75 years

1. Applicability

- 1.1. The provisions of this Guideline shall be applicable only in respect of Directors of an LFC who are serving in the said capacity, as at the date of the Direction, and in the event of any such LFC deciding to continue the service of such Directors beyond the age of 70 years, in the future.

2. Assessment Criteria

- 2.1. The Directors who have reached the age of 70 years, will be assessed by the Monetary Board (MB) of the Central Bank of Sri Lanka (CBSL), based on the criteria that have been formulated in order to objectively assess fitness and propriety, as well as the contribution made by such Directors to the financial institution and the level of regulatory compliance of such financial institution.
- 2.2. If an LFC wishes to continue a Director beyond the age of 70 years, the following documents are required to be submitted in order for the MB to evaluate the suitability of approving any extension of the period of service, which will be done by the MB on a case by case basis. However, in no instance will a Director be permitted to function beyond the age of 75 years.

2.3. Fitness and Propriety

The responsibility is with the LFC to establish, to the due satisfaction of the MB, that the relevant director, whose services are proposed to be retained beyond the age of 70 years, is a fit and proper person, to carry out the duties and functions of a director :-

- (i) The Affidavit and Declaration as in Annex I and II of the Finance Companies (Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No, 03 of 2011, and as may be amended from time to time. The said affidavit and declaration shall be certified by the Chairman and all members of the Board of Directors holding office at the time, excluding however, the Director being evaluated for this purpose.
- (ii) The Board of Directors of the LFC shall adopt a board resolution signed by all the Directors (other than the Director seeking exemption) holding office at the time of such adoption, resolving that they consider the continuation in office of the Director seeking such exemption, will be of benefit to the institution for the reasons stated in such resolution and recommending to the MB to consider granting the required exemption. The resolution shall be adopted not more than 6 months prior to the date on which exemption will be required to be effective.
- (iii) The reasons set out in such resolution must be sufficiently descriptive and adequate, in order to permit the MB to arrive at an informed decision on the matter and must be supported by documentation, as far as possible. In the event of the MB requiring any further documentation in support of the request for extension, the relevant LFC shall duly furnish the same to the Director, Department of Supervision of Non-bank Financial Institutions (D/SNBFI), for submission before the MB.
- (iv) An affirmative written assurance addressed to the D/SNBFI, signed jointly by the Chief Compliance Officer, Company Secretary and Chief Executive Officer that the LFC is in compliance with all the other requirements relating to the Composition of the Board and Fitness and Propriety of Directors specified under the applicable Directions.
- (v) Certification from the Company Secretary of the relevant LFC, that the continuation of the relevant Directors/s beyond the age of 70 years, has been duly approved by passing a resolution at a general meeting in terms of Section 211 of Companies Act No. 07 of 2007. Such resolution shall be passed, without taking into account and excluding the ownership or equity stake of the Director concerned. Close relatives of the Director concerned and common Directors holding an ownership stake of the LFC concerned shall be omitted from voting on the resolution. Close relatives are defined as per section 74 of the Finance Business Act No. 42 of 2011.
- (vi) In respect of each further year on account of which an extension is sought, upto the maximum age of 75, a fresh resolution, as contemplated above, shall be duly passed.
- (vii) Written Confirmation from the Company Secretary that the continuation of a Director of an LFC, beyond the age of 70 years, is not prohibited by the Articles of Association of the relevant LFC.

2.4. Historical Records/Contribution to the financial institution:

In order to facilitate the due assessment of the performance of the relevant Director, during his/her tenure of office as a Director of the relevant LFC, the following documents shall be submitted by the LFC :-

- (i) Certified copies of the annual self-assessment undertaken by Directors during the preceding five years, in line with the Section 2(8) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008, as amended, in the case of Directors for the first year of evaluation beyond 70 years of age and thereafter, annual self-assessment form.
- (ii) Self-declaration by an applicant incorporating the improvement of financial performance during the tenure of his service, details of any special assignments, projects carried out under his/her leadership, explaining his/her future plans to increase value of the financial institution, etc.

2.5. Regulatory Compliance in the Present Capacity:

In assessing the continuation in office, of a member of the Board of Directors, the level of following regulatory compliance by the relevant LFC, will be evaluated by the MB in its final discretion. The D/SNBFI, will submit a report to the MB on the level of regulatory compliance with the following Directions and to any other direction or provision that the MB may consider as being relevant, based on the reports of assessment of the Off-site Officer, together with the Examiner in-charge of the latest statutory examination, together with any other relevant matters which requires the attention of the MB :-

- (i) Finance Companies (Corporate Governance) Direction No. 03 of 2008, as amended
- (ii) Finance Companies (Minimum Core Capital) Direction No. 02 of 2017, as amended
- (iii) Finance Business Act (Capital Adequacy Requirements) Direction No. 03 of 2018, as amended

- (iv) Finance Companies (Liquid Assets) Direction No. 04 of 2013, as amended
- (v) Any other supervisory concerns, which are directly, link to the performance of the applicant.
- (vi) Regulatory and supervisory findings of the latest statutory examination.
- (vii) The MB may also have recourse to reports from the D/SNBFI, with regard to due compliance and/or the extent of compliance, of the relevant LFC, including but not limited to time bound action plans imposed by the D/SNBFI, as well as the failure and/or extent of the failure, if any, on the part of the relevant LFC to duly implement corrective measures that may have been stipulated/imposed, during the period when the Director in question held office in that capacity, in order for the MB to decide the extent of the culpability of the Director in question, in respect of the truancy of the LFC, or whether there are adequate mitigatory factors that commend themselves to the MB.

3. Procedure of approval

- 3.1. The Company Secretary of the LFC shall submit all the documents and assurances required in 2.3 and 2.4 above to D/SNBFI not less than 3 months before the date on which the exemption is first required.
- 3.2. Upon being satisfied that the documents and assurances received are prima facie in order, the D/SNBFI, shall validate the representations and assurances so provided if warranted, and carry out an assessment of the contribution made by the Director on whose behalf the exemption is sought taking into account the criteria stated above.
- 3.3. Upon completion of the assessment, and within 30 days of the receipt of the application for exemption, the D/SNBFI shall submit a report to the MB including points stated in 2.5 above, with his recommendation on the matter of granting the exemption.
- 3.4. The MB may thereupon reject the granting of the exemption or approve the exemption that has been sought. In arriving at its decision, the MB would be guided primarily by the paramount consideration as to whether the grant of the exemption would serve to secure further, the best interests of the LFC and that whether the refusal of the exemption would be detrimental to the soundness or stability of the LFC.
- 3.5. In the course of its decision, the MB may issue the same, subject to any conditions and the D/SNBFI, shall forthwith communicate the decision of the MB to the LFC and also emphasise the importance of strict adherence to any conditions, that the MB may impose and also communicate that the failure to duly comply with such conditions could lead to the MB immediately withdrawing the exemption that has been granted.

4. Transitional Provisions

- 4.1. In the event of a Director holding office as at the date of this Direction, being desirous of seeking the benefit of exemption as provided for herein, but is unable to comply with the time periods set out in 3.1 above, only as a result of his term of office ending on or before 15th September 2020 due to the operation of Direction 5(1) of Direction No. 3 of 2008, such Director and the LFC concerned, may complete the requirements within 45 days from date hereof.
- 4.2. Such Director of a LFC referred to in 4.1 above, may continue in office as a Director, until the formal decision of the MB is communicated with regard to his application and continue thereafter, if the exemption under this Direction is duly granted by the MB.
- 4.3. However, in the event of the MB rejecting the request, the Director shall forthwith cease to function as a Director of the LFC and the Board of Directors of the LFC shall be collectively responsible to the MB to ensure that the Director in question duly ceases to function and shall also cause a replacement Director to be appointed without delay.

5. Annual Evaluation

- 5.1. All such approvals by MB beyond the age of 70 years shall be subject to annual re-evaluation, subject to the reaching of a maximum of 75 years of age. In no case shall a Director be permitted to function in such a capacity, on an extended basis, beyond the maximum possible age of 75 years.
- 5.2. The persons applying for annual extension shall apply at least prior to 45 days of the lapse of the approval period, with all necessary documents as stated in section 2.3 to 2.4 above. However, LFCs are encouraged to proceed and submit applications for extension at the very earliest opportunity. This will not preclude the MB however, from taking cognizance of any supervening disability that has occurred after the submission of the application, or of any other supervening factual circumstance that renders such Director unfit to function beyond 70 years, in the opinion of the MB.

6. Conditions

All approvals given by MB will be subject but not limited, to following conditions;

- 6.1. The Director concerned shall have completed a minimum period of 3 continuous years in office, as at the date on which the exemption first becomes necessary.
- 6.2. The proportion of Directors above the age of 70 on a Board of an LFC at any given time shall be limited to maximum of 2 Directors. However, if the number of Directors representing the Board at the particular time is 7 directors or below, maximum of one director shall be permitted to serve beyond the age of 70 years.
- 6.3. With regard to Non-executive Directors seeking extension, section 4(2) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 will be still applicable.
- 6.4. As stated in Section 5 above, all approvals are subject to annual re-evaluation, and the final decision thereon, will be taken by the MB.
- 6.5. Where the D/SNBFI is satisfied at any time that a person continued beyond age of 70 years is not fit and proper as a Director for continuation, he shall submit a report to the MB supported by reasons and documentation, in order to assist the MB in deciding finally, whether such person is not fit and proper to be a Director of the LFC at any time during the extended period beyond 70 years of age.
- 6.6. Every LFC shall strictly and forthwith notify the D/SNBFI of any reasonable suspicion that have arisen or findings made to the effect that any Director is not a fit and proper person to hold office in the respective LFC within fourteen days of it being aware of such suspicion or findings.

Finance Leasing Act Directions No. 04 of 2020

26 June 2020

AMENDMENT TO CORPORATE GOVERNANCE DIRECTION

In terms of powers conferred by the Section 34 of the Finance Leasing Act, No.56 of 2000, the Director of the Department of Supervision of Non-bank Financial Institutions issues the following amendments to the Finance Leasing (Corporate Governance) Direction No. 04 of 2009, issued for Specialised Leasing Companies (SLCs) in Sri Lanka.

Having considered the limited ability especially in the presently prevailing, challenging environment, of attracting experienced personnel with impeccable track records to the Board of Directors (BODs) of the non-banking financial institution sector, the Monetary Board considers that it is prudent to provide a degree of continuity in BODs, subject to the qualification that such continuity, from an objective perspective, is in the best interests of the SLCs.

- | | |
|---------------------------------------|---|
| 1. Applicability and Scope | Notwithstanding the provisions of Direction 5(1) of the Finance Leasing (Corporate Governance) Direction No. 04 of 2009, SLC may, with the prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions (D/SNBFI) and with the concurrence of Monetary Board, permit a Director who is already holding office, and who attains the age of 70 years on or after the date of this Direction comes into effect, to continue in office as director, subject to strict adherence to the following requirements and conditions of this Direction and the accompanying Guidelines. |
| 2. Prior Approval of the D/SNBFI | Any extension of the time period, will be subject to the prior approval of the D/SNBFI and with the concurrence of Monetary Board. |
| 3. Terms and Conditions | The terms and conditions and the procedure to be followed, are stipulated in the Guidelines annexed to this Direction. |
| 4. Effective Date and Validity period | The Direction will be effective with immediate effect and the Direction shall be in effect for a period of three years from the date of the said Direction, subject to renewability upon the completion of three year period, at the discretion of the D/SNBFI. |

J P Gamalath
**Director, Department of Supervision of Non-bank
 Financial Institutions, Central Bank of Sri Lanka**

Guideline on Determining the Fitness and Propriety of Directors Beyond the Age of 70 years up to Maximum of 75 years

1. Applicability

- 1.1. The provisions of this Guideline shall be applicable only in respect of Directors of a SLC who are serving in the said capacity, as at the date of the Direction, and in the event of any such SLC deciding to continue the service of such Directors beyond the age of 70 years, in the future.

2. Assessment Criteria

- 2.1. The Directors who have reached the age of 70 years, will be assessed by the D/SNBFI, based on the criteria that have been formulated in order to objectively assess fitness and propriety, as well as the contribution made by such Directors to the financial institution and the level of regulatory compliance of such financial institution.
- 2.2. If a SLC wishes to continue a Director beyond the age of 70 years, the following documents are required to be submitted in order for the D/SNBFI to evaluate the suitability of approving any extension of the period of service, which will be done by the D/SNBFI with the concurrence of Monetary Board on a case by case basis. However, in no instance will a Director be permitted to function beyond the age of 75 years.

2.3. Fitness and Propriety

The responsibility is with the SLC to establish, to the due satisfaction of the D/SNBFI that the relevant director, whose services are proposed to be retained beyond the age of 70 years, is a fit and proper person, to carry out the duties and functions of a director:-

- (i) The Affidavit and Declaration as in Annex I and II of the Finance Leasing (Assessment of Fitness and Propriety of all Directors on the Board and Officers Performing Executive Functions) Direction No. 03 of 2012, and as may be amended from time to time. The said affidavit and declaration shall be certified by the Chairman and all members of the Board of Directors holding office at the time, excluding however, the Director being evaluated for this purpose.
- (ii) The Board of Directors of the SLC shall adopt a board resolution signed by all the Directors (other than the Director seeking exemption) holding office at the time of such adoption, resolving that they consider the continuation in office of the Director seeking such exemption, will be of benefit to the institution for the reasons stated in such resolution and recommending to the D/SNBFI to consider granting the required exemption. The resolution shall be adopted not more than 6 months prior to the date on which exemption will be required to be effective.
- (iii) The reasons set out in such resolution must be sufficiently descriptive and adequate, in order to permit the D/SNBFI to arrive at an informed decision on the matter and must be supported by documentation, as far as possible. In the event of the D/SNBFI requiring any further documentation in support of the request for extension, the relevant SLC shall duly furnish the same to the D/SNBFI.
- (iv) An affirmative written assurance addressed to the D/SNBFI, signed jointly by the Chief Compliance Officer, Company Secretary and Chief Executive Officer that the SLC is in compliance with all the other requirements relating to the Composition of the Board and Fitness and Propriety of Directors specified under the applicable Directions.
- (v) Certification from the Company Secretary of the relevant SLC, that the continuation of the relevant Directors/s beyond the age of 70 years, has been duly approved by passing a resolution at a general meeting in terms of Section 211 of Companies Act No. 07 of 2007. Such resolution shall be passed, without taking into account and excluding the ownership or equity stake of the Director concerned. Close relatives of the Director concerned and common Directors holding an ownership stake of the SLC concerned shall be omitted from voting on the resolution. Close relatives are defined as per Finance Leasing (Corporate Governance) Direction No. 04 of 2009.
- (vi) In respect of each further year on account of which an extension is sought, upto the maximum age of 75, a fresh resolution, as contemplated above, shall be duly passed.
- (vii) Written Confirmation from the Company Secretary that the continuation of a Director of an SLC, beyond the age of 70 years, is not prohibited by the Articles of Association of the relevant SLC.

2.4. Historical Records/Contribution to the financial institution:

In order to facilitate the due assessment of the performance of the relevant Director, during his/her tenure of office as a Director of the relevant SLC, the following documents shall be submitted by the SLC:-

- (i) Certified copies of the annual self-assessment undertaken by Directors during the preceding five years, in line with the Section 2(8) of the Finance Leasing (Corporate Governance) Direction No. 04 of 2009, as amended, in the case of Directors for the first year of evaluation beyond 70 years of age and thereafter, annual self-assessment form.
- (ii) Self-declaration by an applicant incorporating the improvement of financial performance during the tenure of his service, details of any special assignments, projects carried out under his/her leadership, explaining his/her future plans to increase value of the financial institution, etc.

2.5. Regulatory Compliance in the Present Capacity:

In assessing the continuation in office, of a member of the Board of Directors, the level of following regulatory compliance by the relevant SLC, will be evaluated by the D/SNBFI in its final discretion. The level of regulatory compliance with the following Directions and to any other direction or provision that the D/SNBFI may consider as being relevant, based on the reports of assessment of the Off-site Officer, together with the Examiner in-charge of the latest statutory examination and together with any other relevant matters which requires the attention of the D/SNBFI:-

- (i) Finance Leasing (Corporate Governance) Direction No. 04 of 2009, as amended
- (ii) Finance Leasing (Minimum Core Capital) Direction No. 01 of 2012, as amended
- (iii) Finance Leasing Act (Capital Adequacy Requirements) Direction No. 03 of 2018, as amended
- (iv) Finance Leasing (Liquid Assets) Direction No. 04 of 2012, as amended
- (v) Any other supervisory concerns, which are directly, link to the performance of the applicant.
- (vi) Regulatory and supervisory findings of the latest statutory examination.
- (vii) D/SNBFI, with regard to due compliance and/or the extent of compliance, of the relevant SLC, including but not limited to time bound action plans of the statutory examinations, as well as the failure and/or extent of the failure, if any, on the part of the relevant SLC to duly implement corrective measures that may have been stipulated/imposed, during the period when the Director in question held office in that capacity, in order to decide the extent of the culpability of the Director in question, in respect of the truancy of the SLC, or whether there are adequate mitigatory factors that commend themselves to the D/SNBFI.

3. Procedure of approval

- 3.1. The Company Secretary of the SLC shall submit all the documents and assurances required in 2.3 and 2.4 above to D/SNBFI not less than 3 months before the date on which the exemption is first required.
- 3.2. Upon being satisfied that the documents and assurances received are prima facie in order, the D/SNBFI, shall validate the representations and assurances so provided if warranted, and carry out an assessment of the contribution made by the Director on whose behalf the exemption is sought taking into account the criteria stated above.
- 3.3. Upon completion of the assessment, and within 30 days of the receipt of the application for exemption, the D/SNBFI shall submit a report to the Monetary Board including points stated in 2.5 above, with his recommendation on the matter of granting the exemption and obtain the concurrence of the Monetary Board. The Monetary Board may thereupon reject the granting of the exemption or approve the exemption that has been sought.
- 3.4. In the course of its decision, the D/SNBFI may issue the same, subject to any conditions and the D/SNBFI, shall forthwith communicate the decision to the SLC and also emphasise the importance of strict adherence to any conditions, that the D/SNBFI may impose and also communicate that the failure to duly comply with such conditions could lead to the D/SNBFI immediately withdrawing the exemption that has been granted.

4. Transitional Provisions

- 4.1. In the event of a Director holding office as at the date of this Direction, being desirous of seeking the benefit of exemption as provided for herein, but is unable to comply with the time periods set out in 3.1 above, only as a result of his term of office ending on or before 15th September 2020 due to the operation of Direction 5(1) of Direction No. 04 of 2009, such Director and the SLC concerned, may complete the requirements within 45 days from date hereof.
- 4.2. Such Director of a SLC referred to in 4.1 above, may continue in office as a Director, until the formal decision of the D/SNBFI is communicated with regard to his application and continue thereafter, if the exemption under this Direction is duly granted by the D/SNBFI.

4.3. However, in the event of the D/SNBFI rejecting the request, the Director shall forthwith cease to function as a Director of the SLC and the Board of Directors of the SLC shall be collectively responsible to the D/SNBFI to ensure that the Director in question duly ceases to function and shall also cause a replacement Director to be appointed without delay.

5. Annual Evaluation

5.1. All such approvals by D/SNBFI beyond the age of 70 years shall be subject to annual re-evaluation, subject to the reaching of a maximum of 75 years of age. In no case shall a Director be permitted to function in such a capacity, on an extended basis, beyond the maximum possible age of 75 years.

5.2. The persons applying for annual extension shall apply at least prior to 45 days of the lapse of the approval period, with all necessary documents as stated in section 2.3 to 2.4 above. However, SLCs are encouraged to proceed and submit applications for extension at the very earliest opportunity. This will not preclude the D/SNBFI however, from taking cognizance of any supervening disability that has occurred after the submission of the application, or of any other supervening factual circumstance that renders such Director unfit to function beyond 70 years.

6. Conditions

All approvals given by D/SNBFI will be subject but not limited, to following conditions;

6.1. The Director concerned shall have completed a minimum period of 3 continuous years in office, as at the date on which the exemption first becomes necessary.

6.2. The proportion of Directors above the age of 70 on a Board of a SLC at any given time shall be limited to maximum of 1 Director.

6.3. With regard to Non-executive Directors seeking extension, section 4(2) of the Finance Leasing (Corporate Governance) Direction No. 04 of 2009 will be still applicable.

6.4. As stated in Section 5 above, all approvals are subject to annual re-evaluation, and the final decision thereon, will be taken by the D/SNBFI subject to concurrence of the Monetary Board.

6.5. Where the D/SNBFI is satisfied at any time that a person continued beyond age of 70 years is not fit and proper as a Director for continuation, he shall submit a report to the Monetary Board supported by reasons and documentation, whether such person is not fit and proper to be a Director of the SLC at any time during the extended period beyond 70 years of age.

6.6. Every SLC shall strictly and forthwith notify the D/SNBFI of any reasonable suspicion that have arisen or findings made to the effect that any Director is not a fit and proper person to hold office in the respective SLC within fourteen days of it being aware of such suspicion or findings.

Finance Business Act Directions No.06 of 2020

16 July 2020

BUSINESS EXPANSION AND OPERATIONS

In terms of powers conferred by Section 12 of the Finance Business Act No. 42 of 2011, the Monetary Board hereby issues the following Directions on the business expansion and operations of Licensed Finance Companies (LFCs).

- | | | |
|--|-----|--|
| 1. Applicability of the Direction | 1.1 | No LFC shall be authorized to open business places other than the fully-fledged branch and Automated Teller Machine (ATM)/ Cash Deposit Machine (CDM)/ Cash Recycling Machine (CRM). LFCs may operate mobile banking units and such mobile banking units shall be affiliated to a branch of such LFC. LFCs shall follow the Guidelines set out for opening, closure and relocation of business places, and operation of mobile banking units as in Appendix A. |
| | 1.2 | LFCs shall inform the Director at least ten (10) working days prior to opening a business place or close any existing business place or effect a change in the location of any existing business place, in any part of Sri Lanka; and in setting-up mobile banking units. |
| | 1.3 | No LFC shall open, close or relocate a business place in any place outside Sri Lanka, without the prior approval of the Monetary Board. |
| 2. Minimum criteria in opening of new branches | 2.1 | LFCs shall ensure compliance with the following, at a minimum, when opening a new branch: |

- | | |
|--|--|
| | (i) Complied with the minimum capital adequacy ratios as specified in the Direction No. 03 of 2018 on Capital Adequacy Requirements, or as amended. |
| | (ii) Complied with the minimum core capital requirement as specified in the Direction No. 02 of 2017 on Minimum Core Capital, or as amended. |
| | (iii) Complied with the minimum liquid assets requirements as specified in the Direction No. 04 of 2013 on Finance Companies (Liquid Assets), or as amended. |
| | (iv) Maintained Non-Performing Advances (NPA) ratios at a manageable level. |
| | (v) Has not been subject to imposition of any caps/restrictions on deposits or lending. |
| 3. Board of Directors approvals | 3.1 Every LFC shall establish Board of Directors' approved prudent policy on business expansion largely considering the potential for business at the new branches, ability of providing adequate resources to branches (physical assets, human resources, etc.), efficiency of the internal control systems, defining responsibilities of key officers with regard to branch operations, extension of prompt and cost-effective customer service to the clientele, etc. |
| | 3.2 LFCs shall ensure to obtain prior approval of the Board of Directors before opening of new branches and ATMs/CDMs/CRMs, closure of a business place, or relocation of any existing business place. |
| 4. Annual Business Expansion Plan | 4.1 Every LFC shall submit the company's board approved Annual Business Expansion Plan (ABEP) to the Director for approval, on or before 31st December each year for the next calendar year. |
| | 4.2 LFCs shall indicate the details of business places proposed to be opened, business places proposed to be closed or relocated within the year, in the ABEP, as set out in Appendix B. |
| | 4.3 LFCs shall not open, close or relocate a business place that was initially not included in the ABEP submitted to the Director. |
| | 4.4 The approved ABEP is valid only for one year (the calendar year) and the approval for any openings, closures or relocations which are not completed within the year deemed to be lapsed. |
| 5. Risk Management | 5.1 Board of Directors shall be responsible to ensure; |
| | (i) Maintain an effective system of internal control and oversight of branch operations. |
| | (ii) Maintain proper controls to safeguard the information, communication and IT systems and data from both internal and external threats. |
| | (iii) Provide branch officers operational manuals to ensure efficient services to their customers. |
| | (iv) Ensure branch employees are made aware and well trained to prevent, detect and manage risks arising from branch operations. |
| | (v) Maintain a business continuity plan to mitigate any significant disruption, discontinuity or gaps in the operations conducted at branches and other business places. |
| | 5.2 Board of Directors or Integrated Risk Management Committee, as applicable, shall review the overall and individual branch level risk reports, at least on a quarterly basis. |
| 6. Standardization of existing other outlets | 6.1 Every LFC shall submit board of directors approved 'Other Outlets Standardization Plan' for existing other outlets to the Director prior to 30.09.2020, and such plan shall be implemented on or before 31.12.2022. |
| | 6.2 No LFC shall mobilize deposits at any of the existing other outlets. |
| | 6.3 LFC shall inform Director on the completion of standardizing of an existing other outlet within ten (10) working days after such standardizing. |
| 7. Powers of the Director | 7.1 The Director has the authority to inform the LFC objecting opening, closing, relocating, of any business place with specific reasons stated in writing. |
| | 7.2 Further, the Director has the authority to restrict an LFC in further business expansion at any point of time. |

- | | |
|--|--|
| 8. Closure of business places for business | <p>8.1 No LFC shall close any business place for business on any day of the week from Monday to Friday, except for a holiday declared by the Ceylon Chamber of Commerce.</p> <p>8.2 LFCs may be granted two (02) additional holidays except the holidays specified in Direction 8.1 above, as required, with prior approval in writing of the Director. In granting such approval, the Director may impose conditions as may deem necessary.</p> <p>8.3 However, LFCs shall not close any business places for business for five consecutive days, including holidays declared by Ceylon Chamber of Commerce and additional holidays approved by the Director.</p> <p>8.4 LFCs shall give notice to its customers of such closure of business places.</p> <p>8.5 In the event of any special circumstances such as flood, riot or any other abnormal incident, which necessitates closure of a branch or any business place for business, LFC may decide to do so with the approval of a relevant authority internally, and inform the Director accordingly, without delay.</p> |
| 9. Reporting requirements | <p>9.1 LFCs shall submit a certificate on a quarterly basis, confirming that they are in full compliance with the requirements of this Direction, by fifteenth (15th) of the following month, from the end of each quarter.</p> <p>9.2 LFC shall submit the web-based returns on business places by fifteenth (15th) of the following month, from the end of each quarter.</p> |
| 10. Regulatory Measures in the event of non-compliance | <p>In the event of non-compliance by an LFC with these Directions, the Director shall act on any one or more of the following:</p> <ul style="list-style-type: none"> (i) Impose restrictions on branch operations/expansion. (ii) Impose monetary penalties as determined by the Monetary Board. (iii) Impose disclosure requirements on non-compliances. (iv) Determine the responsible Key Management Personnel as not fit and proper immediately. |
| 11. Interpretations | <p>In these Directions,</p> <ul style="list-style-type: none"> (i) Business place shall mean, branches and ATMs/CDMs/CRMs. (ii) Director shall mean, the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. (iii) Key Management Personnel shall have the same meaning as defined in the Direction No. 03 of 2008 on Finance Companies (Corporate Governance), or as amended. (iv) Other outlets shall mean, service centers, pawning centers, gold loan centers, collection centers, school savings centers, service windows, or any other outlets in operation. |
| 12. Revocation of Previous Directions | <p>The Finance Business Act Direction No.1 of 2016 on Opening, Closure and Relocation of Business Places and Finance Companies (Closure of Office/s for business) Direction No.4 of 2005 are hereby revoked.</p> |

Prof. W D Lakshman

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

Appendix A

Guidelines to LFCs in Opening, Closure and Relocation of Business Places

1. Opening of New Branches/ ATMs/ CDMs/ CRMs

- 1.1. LFCs shall submit the information regarding the opening of new branches or ATMs/CDMs/CRMs to the Director at least ten (10) business days prior to such opening. Information regarding the new branches shall be submitted in accordance with the format given in Appendix C.
- 1.2. LFCs shall prepare and document an economic feasibility study for each branch to be opened, analyzing the need for financial services in the area where the LFC is planning to open a branch. Such a study shall cover, at least, the following areas;

- (a) The need of financial services in the proposed area based on the financial institutions' density (Population in the Divisional Secretariat divided by Number of Branches of Financial Institutions in the Divisional Secretariat).
- (b) The geographical and economic service areas to be served and overview of the market to be served.
- (c) Expected increase in the demand for financial services in that area, and the period within which the activity of the branch will become profitable.
- (d) The financial assumptions of the applied branch, based on its anticipated business size, business development, establishment cost and operating cost and results over an adequate period of not less than three years.

1.3. Board of Directors shall ensure LFCs have obtained necessary approvals/clearance from the respective Government Authorities and a police clearance certificate before opening of new branches or ATMs/CDMs/CRMs.

1.4. ATMs/CDMs/CRMs opened shall be affiliated to a particular branch of the LFC.

1.5. LFC shall ensure to notify the Director on the date of new branch or ATM/CDM/CRM opened within ten (10) business days after opening.

2. Closure of Business Places

2.1. LFCs shall inform Director at least prior to ten (10) business days of closing of existing business places in accordance with the format given in Appendix D.

2.2. LFCs shall exhibit a notice of the closure to the customers and the public who are generally served by that business place prior to such closure.

2.3. LFCs shall ensure that no further finance business activities would thereafter be carried out at the location of the business place by the LFC after the date of closure.

2.4. LFCs shall ensure to notify the Director on the date of business place closed within ten (10) business days after the closure.

3. Relocation of Business Places

3.1. Relocation is considered as changing the business location within the same Divisional Secretariat.

3.2. LFCs shall inform the Director at least prior to ten (10) business days of changing the location of any existing business place to the Director in accordance with the format given in Appendix E.

3.3. Board of Directors shall ensure LFCs have obtained necessary approvals/clearance from the respective Government Authorities and a police clearance certificate before relocating a business place.

3.4. LFCs shall exhibit a notice of the relocation to the customers and the public who are generally served by that business place prior to such relocation.

3.5. LFCs shall ensure that no further finance business activities by the LFC would thereafter be carried out at the original location of the business place after the relocation.

3.6. LFCs are not encouraged to relocate a business place frequently, to ensure customer convenience and continual service. LFCs shall be established at one location, at least for a continuous period of three (3) years.

4. Guidelines to LFCs in setting up Mobile Banking Units

4.1. Mobile banking units and its operations shall be affiliated to a particular branch of the LFC.

4.2. The operations of mobile banking units shall only be carried out by the employees of the LFCs.

4.3. Mobile banking units may serve the customers at regularly scheduled locations on specific days/hours or be open at various times and locations. However, LFCs shall ensure the local customers are informed suitably of the details including specified days and working hours ensuring customer convenience.

4.4. Mobile banking units shall have online connectivity to the core-system and any transactions that would be done through the mobile banking units shall be updated real-time.

4.5. The customers transacting through the mobile banking units shall be given a reliable proof of transaction, preferably a notification on a real time basis, such as a Short Message Service (SMS) via the LFCs' central system.

4.6. Mobile banking units shall have adequate physical and information security measures to protect any collected cash and confidential customer data while transporting or transmitting to the affiliated branch.

Appendix B

Annual Business Expansion Plan (ABEP)

1.	General:				
1.1	Name of Licensed Finance Company:				
1.2	Date of approval of the Board of Directors for the ABEP:				
2.	Number of Existing Branches and Other Outlets (as at the year-end):				
2.1	Branches				
	a. All branches				
	b. Loss making branches				
2.2	Automated Teller Machines/ Cash Deposit Machines/ Cash Recycling Machines				
	a. Located at branch premises				
	b. Located at other places				
2.3	Other Outlets (if any)				
	a. Service Centers				
	b. Pawning Centers				
	c. Collection Centers				
	d. Others (service windows, school savings centers, vehicle yards, etc.)				
3.	Details of Openings, Closures or Relocations approved with previous year's ABEP, but not completed as proposed:				
3.1	Openings of Branches and ATMs/CDMs/CRMs not completed:				
	Locations:		Reasons:		
3.2	Closure of Business places not completed:				
	Locations:		Reasons:		
3.3	Relocation of Business places not completed:				
	Locations:		Reasons:		
4.	Details of New Branches and ATMs/CDMs/CRMs proposed to be opened:				
4.1	Branches:				
		Administrative District	Name of Town	Local Government Authority	Divisional Secretariat
	1				
	2				
	3				
	4				
	5				
	6				
	7				
	8				

	9							
	10							
	(add rows)							
4.2	Projected Financial Information: Please provide the financial projections for next three (3) year period of company operations, including the proposed branches.							
					Year 1	Year 2	Year 3	
4.2.1	Tier I Ratio, %							
4.2.2	Total Capital Ratio, %							
4.2.3	Gross Non-Performing Ratio, %							
4.2.4	Net Non-Performing Ratio, %							
4.2.5	Total Deposits, Rs. Bn							
4.2.6	Total Loans and Advances, Rs. bn							
4.2.7	Core Capital, Rs. Bn							
4.2.8	Total Capital Base, Rs. Bn							
4.2.9	Profit/ Loss, Rs.bn							
4.3	ATMs/ CDMs/CRMs:							
		Location			Affiliated Branch			
	1							
	2							
	3							
	4							
	5							
	6							
	7							
	8							
	9							
	10							
	(add rows)							
5.	Details of Business Places proposed to be closed:							
		Type of Business Place	Reason for Closure	Administrative District	Name of Town	Local Government Authority	Divisional Secretariat	Postal Address
	1							
	2							
	3							
	4							
	5							
	(add rows)							
6.	Details of Business Places proposed to be relocated:							
		Type of Business Place		Administrative District	Name of Town	Local Government Authority	Divisional Secretariat	Present Location's Postal Address
	1							

	2						
	3						
	4						
	5						
	(add rows)						

7	Certification	
	The undersigned have the authority to submit this information on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:	Name:
	Title: Chief Executive Officer	Title: Compliance Officer
	Signature:	Signature:
	Date:	Date:

Appendix C

Form 1: Opening of a New Branch/ ATM/ CDM/ CRM

1.	General				
1.1	Name of Licensed Finance Company:				
1.2	Date of approval of the Board of Directors for the proposed opening:				
2.	Details of the New Branch: (submit separate information sheet for each branch)				
2.1	Official name to be used by the branch				
2.2	Location				
	a.	Administrative District			
	b.	Name of Town			
	c.	Local Government Authority			
	d.	Divisional Secretariat			
	e.	Postal Address			
2.3	If an economic feasibility study has been conducted for opening of the branch and documented?				Yes / No
2.4	If a police clearance certificate and necessary approvals/clearance have been obtained from the relevant government authorities for opening of the branch at the proposed location?				Yes / No
2.5	Projected Financial Information: Please provide branch-only projections for next three-year period of operations.				
			Year 1	Year 2	Year 3
2.5.1	Profit/ Loss, Rs. Bn				
2.5.2	Impact on Tier I Ratio, %				
2.5.3	Impact on Total Capital Ratio, %				
2.6	Staff Requirements				
	Staff Grade	Clerical	Minor Staff	Security	Total
	Provide the staff profiles of the proposed branch indicating their qualification, experience and job description (submit the details on a separate annexure).				
3.	Details of the New Automated Teller Machines (ATMs/CDMs/CRMs):				
3.1	Number of proposed ATMs/CDMs/CRMs:				
3.2	Location of proposed ATMs/CDMs/CRMs and Affiliated branches:				
	1.				
	2.				
	3.(add rows)				

4.	Certification	
	The undersigned have the authority to submit this information on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:	Name:
	Title: Chief Executive Officer	Title: Compliance Officer
	Signature:	Signature:
	Date:	Date:

Appendix D

Form 2: Closure of a Business Place

1.	General					
1.1	Name of Licensed Finance Company:					
1.2	Category of the proposed business place to be closed (X):					
	Branch		ATM/ CDM/ CRM		Others (specify)	
1.3	Date of approval of the Board of Directors for the proposed closure:					
1.4	Reasons for the closure of business place:					
2.	Location					
2.1	Administrative District					
2.2	Name of Town					
2.3	Local Government Authority					
2.4	Divisional Secretariat					
2.5	Postal Address					
3.	Key information of the proposed closure (Rs.mn)					
3.1	Total Assets					
3.2	Loans and advances					
3.3	Other assets					
3.4	Deposits					
3.5	Total borrowings					
3.6	Other Liabilities					
3.7	Number of Depositors					
3.8	Number of Borrowers					
3.9	Number of Employees					
4.	Describe the actions to be taken on assets, liabilities and employees of proposed closure of business place:					
5.	Certification					
	The undersigned have the authority to submit this information on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.					
	Name:					Name:
	Title: Chief Executive Officer					Title: Compliance Officer
	Signature:					Signature:
	Date:					Date:

Appendix E

Form 3: Relocation of a Business Place

1.	General				
1.1	Name of Licensed Finance Company:				
1.2	Category of the proposed business place to be closed (X):				
	Branch		ATM/ CDM/ CRM		Others (specify)
1.3	Date of approval of the Board of Directors for the proposed relocation:				
1.4	Reasons for the relocation of business place:				
2.	Location				
2.1	Existing				
	a. Administrative District				
	b. Name of Town				
	c. Local Government Authority				
	d. Divisional Secretariat				
	e. Postal Address				
2.2	New (Proposed)				
	a. Administrative District				
	b. Name of Town				
	c. Local Government Authority				
	d. Divisional Secretariat				
	e. Postal Address				
3.	If an economic feasibility study has been conducted for relocation of the business place and documented?				Yes / No
4.	If a police clearance certificate and necessary approvals/clearance have been obtained from the relevant government authorities to establish the business places at the proposed location?				Yes / No
5.	Certification				
	The undersigned have the authority to submit this information on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.				
	Name:		Name:		
	Title: Chief Executive Officer		Title: Compliance Officer		
	Signature:		Signature:		
	Date:		Date:		

Circular No. 07 of 2020

16 July 2020

RELIEF MEASURES TO ASSIST COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

The Central Bank of Sri Lanka, considering the potential adverse impact of COVID-19 pandemic on tourism sector businesses and individuals, requests licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies (hereinafter referred to as Financial Institutions) to provide the following relief measures to eligible borrowers:

- Financial institutions shall extend the existing 6 months moratorium period granted in terms of Paragraphs 2 and 3 of Circular No. 05 of 2020 issued on 27 March 2020 to 12 months in respect of capital outstanding of leasing facilities granted to tourism related vehicles.
- Financial institutions may recover interest during the moratorium period from eligible borrowers referred to in paragraph (1) above, in a manner that is not inconvenient to the borrower.

3. Financial institutions shall waive off the accrued penal interest in respect of leasing facilities granted to tourism related vehicles.

Prof. W D Lakshman

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

Finance Leasing Act Directions No.05 of 2020

20 August 2020

BUSINESS EXPANSION AND OPERATIONS

In terms of powers conferred by Section 34 of the Finance Leasing Act No. 56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions hereby issues the following Directions on the business expansion and operations of Specialised Leasing Companies (SLCs).

- | | | |
|--|-----|---|
| 1. Applicability of the Direction | 1.1 | SLCs shall be authorized to carry on leasing business only at business places, namely fully-fledged branches and collection centers. SLCs may operate mobile banking units and such mobile banking units shall be affiliated to a branch of such SLC. SLCs shall follow the Guidelines set out for opening, closure and relocation of business places, and operation of mobile banking units as in Appendix A. |
| | 1.2 | SLCs shall inform the Director at least ten (10) working days prior to opening a business place or close any existing business place or effect a change in the location of any existing business place, in any part of Sri Lanka; and in setting-up mobile banking units. |
| | 1.3 | No SLC shall open, close or relocate a business place in any place outside Sri Lanka, without the prior approval of the Director with the concurrence of the Monetary Board. |
| 2. Minimum criteria in opening of a new business place | 2.1 | SLCs shall ensure compliance with the following, at a minimum, when opening a new business place: <ul style="list-style-type: none"> (i) Complied with the minimum capital adequacy ratios as specified in the Direction No. 03 of 2018 on Capital Adequacy Requirements, or as amended. (ii) Complied with the minimum core capital requirement as specified in the Direction No. 01 of 2012 on Minimum Core Capital, or as amended. (iii) Complied with the minimum liquid assets requirements as specified in the Direction No. 04 of 2012 on Finance Leasing (Liquid Assets), or as amended. (iv) Maintained Non-Performing Advances (NPA) ratios at a manageable level. (v) Has not been subject to imposition of any caps/restrictions on deposits or lending. |
| 3. Board of Directors approvals | 3.1 | Every SLC shall establish Board of Directors' approved prudent policy on business expansion largely considering the potential for business at the new business places, ability of providing adequate resources (physical assets, human resources, etc.), efficiency of the internal control systems, defining responsibilities of key officers with regard to business place operations, extension of prompt and cost-effective customer service to the clientele, etc. |
| | 3.2 | SLCs shall ensure to obtain prior approval of the Board of Directors before opening of a new business place, closure of a business place, or relocation of any existing business place. |
| 4. Annual Business Expansion Plan | 4.1 | Every SLC shall submit the company's board approved Annual Business Expansion Plan (ABEP) to the Director for approval, on or before 31st December each year for the next calendar year. |
| | 4.2 | SLCs shall indicate the details of business places proposed to be opened, business places proposed to be closed or relocated within the year, in the ABEP, as set out in Appendix B. |
| | 4.3 | SLCs shall not open, close or relocate a business place that was initially not included in the ABEP submitted to the Director. |
| | 4.4 | The approved ABEP is valid only for one year (the calendar year) and the approval for any openings, closures or relocations which are not completed within the year deemed to be lapsed. |

- | | |
|--|--|
| 5. Risk Management | <p>5.1 Board of Directors shall be responsible to ensure;</p> <ul style="list-style-type: none"> (i) Maintain an effective system of internal control and oversight of business place operations. (ii) Maintain proper controls to safeguard the information, communication and IT systems and data from both internal and external threats. (iii) Provide business place officers operational manuals to ensure efficient services to their customers. (iv) Ensure business place employees are made aware and well trained to prevent, detect and manage risks arising from the operations at the business places. (v) Maintain a business continuity plan to mitigate any significant disruption, discontinuity or gaps in the operations conducted at the business places. <p>5.2 Board of Directors or Integrated Risk Management Committee, as applicable, shall review the overall and individual business place level risk reports, at least on a quarterly basis.</p> |
| 6. Standardization of existing other outlets | <p>6.1 Every SLC shall submit board of directors approved 'Other Outlets Standardization Plan' for existing other outlets to the Director prior to 30.09.2020, and such plan shall be implemented on or before 31.12.2021.</p> <p>6.2 SLC shall inform Director on the completion of standardizing of an existing other outlet within ten (10) working days after such standardizing.</p> |
| 7. Powers of the Director | <p>7.1 The Director has the authority to inform the SLC objecting opening, closing, relocating, of any business place with specific reasons stated in writing.</p> <p>7.2 Further, the Director has the authority to restrict an SLC in further business expansion at any point of time.</p> |
| 8. Closure of business places for business | <p>8.1 No SLC shall close any business place for business on any day of the week from Monday to Friday, except for a holiday declared by the Ceylon Chamber of Commerce.</p> <p>8.2 SLCs may be granted two (02) additional holidays except the holidays specified in Direction 8.1 above, as required, with prior approval in writing of the Director. In granting such approval, the Director may impose conditions as may deem necessary.</p> <p>8.3 However, SLCs shall not close any business places for business for five consecutive days, including holidays declared by Ceylon Chamber of Commerce and additional holidays approved by the Director.</p> <p>8.4 SLCs shall give notice to its customers of such closure of business places.</p> <p>8.5 In the event of any special circumstances such as flood, riot or any other abnormal incident, which necessitates closure of a business place for business, SLC may decide to do so with the approval of a relevant authority internally, and inform the Director accordingly, without delay.</p> |
| 9. Reporting requirements | <p>9.1 SLCs shall submit a certificate on a quarterly basis, confirming that they are in full compliance with the requirements of this Direction, by fifteenth (15th) of the following month, from the end of each quarter.</p> <p>9.2 LFC shall submit the web-based returns on business places by fifteenth (15th) of the following month, from the end of each quarter.</p> |
| 10. Regulatory Measures in the event of non-compliance | <p>In the event of non-compliance by an SLC with these Directions, the Director shall act on any one or more of the following:</p> <ul style="list-style-type: none"> (i) Impose restrictions on business place operations/expansion. (ii) Impose monetary penalties as determined by the Director. (iii) Impose disclosure requirements on non-compliances. (iv) Determine the responsible Key Management Personnel as not fit and proper immediately. |
| 11. Interpretations | <p>In these Directions,</p> |

- (i) **Business place** shall mean branches and collection centers.
 - (ii) **Director** shall mean, the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
 - (iii) **Key Management Personnel** shall have the same meaning as defined in the Direction No. 04 of 2009 on Finance Leasing (Corporate Governance), or as amended.
 - (iv) **Other outlets** shall mean, window offices, service centers, service windows, or any other outlets in operation.
 - (v) **Collection Centers** shall mean centers set up to collect lease rentals and loan installments from the SLC's customers.
12. Revocation of Previous Directions
- The Finance Leasing Act Direction No.1 of 2016 on Opening, Closure and Relocation of Business Places is hereby revoked.

J D S J Nanayakkara
**Director, Department of Supervision of Non-Bank
 Financial Institutions, Central Bank of Sri Lanka**

Appendix A

Guidelines to SLCs in Opening, Closure and Relocation of Business Places

1. Opening of New Business Places

- 1.1. SLCs shall submit the information regarding the opening of new business places to the Director at least ten (10) business days prior to such opening. Information regarding the new business places shall be submitted in accordance with the format given in Appendix C.
- 1.2. SLCs shall prepare and document an economic feasibility study for each business place to be opened, analyzing the need for financial services in the area where the SLC is planning to open a business place. Such a study shall cover, at least, the following areas;
 - (a) The need of financial services in the proposed area based on the financial institutions' density (Population in the Divisional Secretariat divided by Number of Business Places of Financial Institutions in the Divisional Secretariat).
 - (b) The geographical and economic service areas to be served and overview of the market to be served.
 - (c) Expected increase in the demand for financial services in that area, and the period within which the activity of the business place will become profitable.
 - (d) The financial assumptions of the applied business place, based on its anticipated business size, business development, establishment cost and operating cost and results over an adequate period of not less than three years.
- 1.3. Board of Directors shall ensure SLCs have obtained necessary approvals/clearance from the respective Government Authorities and a police clearance certificate before opening of new business places.
- 1.4. SLC shall ensure to notify the Director on the date of new business place opened within ten (10) business days after opening.

2. Closure of Business Places

- 2.1. SLCs shall inform Director at least prior to ten (10) business days of closing of existing business places in accordance with the format given in Appendix D.
- 2.2. SLCs shall exhibit a notice of the closure to the customers and the public who are generally served by that business place prior to such closure.
- 2.3. SLCs shall ensure that no further business activities would thereafter be carried out at the location of the business place by the SLC after the date of closure.
- 2.4. SLCs shall ensure to notify the Director on the date of business place closed within ten (10) business days after the closure.

3. Relocation of Business Places

- 3.1. Relocation is considered as changing the business location within the same Divisional Secretariat.

- 3.2. SLCs shall inform the Director at least prior to ten (10) business days of changing the location of any existing business place to the Director in accordance with the format given in Appendix E.
- 3.3. Board of Directors shall ensure SLCs have obtained necessary approvals/clearance from the respective Government Authorities and a police clearance certificate before relocating a business place.
- 3.4. SLCs shall exhibit a notice of the relocation to the customers and the public who are generally served by that business place prior to such relocation.
- 3.5. SLCs shall ensure that no further business activities by the SLC would thereafter be carried out at the original location of the business place after the relocation.
- 3.6. SLCs are not encouraged to relocate a business place frequently, to ensure customer convenience and continual service. SLCs shall be established at one location, at least for a continuous period of three (3) years.

4. Guidelines to SLCs in setting up Mobile Banking Units

- 4.1. Mobile banking units and its operations shall be affiliated to a particular branch of the SLC.
- 4.2. The operations of mobile banking units shall only be carried out by the employees of the SLCs.
- 4.3. Mobile banking units may serve the customers at regularly scheduled locations on specific days/hours or be open at various times and locations. However, SLCs shall ensure the local customers are informed suitably of the details including specified days and working hours ensuring customer convenience.
- 4.4. Mobile banking units shall have online connectivity to the core-system and any transactions that would be done through the mobile banking units shall be updated real-time.
- 4.5. The customers transacting through the mobile banking units shall be given a reliable proof of transaction, preferably a notification on a real time basis, such as a Short Message Service (SMS) via the SLCs' central system.
- 4.6. Mobile banking units shall have adequate physical and information security measures to protect any collected cash and confidential customer data while transporting or transmitting to the affiliated branch.

Appendix B

Annual Business Expansion Plan (ABEP)

1.	General:	
1.1	Name of Specialised Leasing Company:	
1.2	Date of approval of the Board of Directors for the ABEP:	
2.	Number of Existing Branches, Collection Centers and Other Outlets (as at the year-end):	
2.1	Branches	
	a. All branches	
	b. Loss making branches	
2.2	Collection Centers	
2.3	Other Outlets (if any)	
3.	Details of Openings, Closures or Relocations approved with previous year's ABEP, but not completed as proposed:	
3.1	Openings of Business Places not completed:	
	Locations:	Reasons:
3.2	Closure of Business places not completed:	
	Locations:	Reasons:

3.3	Relocation of Business places not completed:							
	Locations:		Reasons:					
4.	Details of New Business Places proposed to be opened:							
4.1	Branches:							
		Administrative District	Name of Town	Local Government Authority	Divisional Secretariat			
	1							
	2							
	3							
	4							
	5							
	6							
	7							
	8							
	9							
	(add rows)							
4.2	Collection Centers:							
		Administrative District	Name of Town	Local Government Authority	Divisional Secretariat			
	1							
	2							
	3							
	4							
	5							
	(add rows)							
4.3	Projected Financial Information: Please provide the financial projections for next three (3) year period of company operations, including the proposed business places.							
			Year 1	Year 2	Year 3			
4.3.1	Tier I Ratio, %							
4.3.2	Total Capital Ratio, %							
4.3.3	Gross Non-Performing Ratio, %							
4.3.4	Net Non-Performing Ratio, %							
4.3.5	Total Borrowings, Rs. Bn							
4.3.6	Total Loans and Advances, Rs. bn							
4.3.7	Core Capital, Rs. Bn							
4.3.8	Total Capital Base, Rs. Bn							
4.3.9	Profit/ Loss, Rs.bn							
5.	Details of Business Places proposed to be closed:							
		Type of Business Place	Reason for Closure	Administrative District	Name of Town	Local Government Authority	Divisional Secretariat	Postal Address
	1							

	2							
	3							
	4							
	5							
	(add rows)							
6.	Details of Business Places proposed to be relocated:							
		Type of Business Place	Administrative District	Name of Town	Local Government Authority	Divisional Secretariat	Present Location's Postal Address	
	1							
	2							
	3							
	4							
	5							
	(add rows)							

7	Certification	
	The undersigned have the authority to submit this information on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:	Name:
	Title: Chief Executive Officer	Title: Compliance Officer
	Signature:	Signature:
	Date:	Date:

Appendix C

Form 1: Opening of a New Business Place

1.	General		
1.1	Name of Specialised Leasing Company:		
1.2	Date of approval of the Board of Directors for the proposed opening:		
2.	Details of the New Business Place: (submit separate information sheet for each business place)		
2.1	Official name to be used by the business place		
2.2	Location		
	a. Administrative District		
	b. Name of Town		
	c. Local Government Authority		
	d. Divisional Secretariat		
	e. Postal Address		
2.3	If an economic feasibility study has been conducted for opening of the business place and documented?		Yes / No
2.4	If a police clearance certificate and necessary approvals/clearance have been obtained from the relevant government authorities for opening of the business place at the proposed location?		Yes / No
2.5	Projected Financial Information: Please provide projections for each proposed business place for next three-year period of operations.		

		Year 1	Year 2	Year 3
2.5.1	Profit/ Loss, Rs. Bn			
2.5.2	Impact on Tier I Ratio, %			
2.5.3	Impact on Total Capital Ratio, %			
2.6	Staff Requirements			
	Staff Grade	Clerical	Minor Staff	Security
	Provide the staff profiles of the proposed business place indicating their qualification, experience and job description (submit the details on a separate annexure).			
3.	Certification			
	The undersigned have the authority to submit this information on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.			
	Name:	Name:		
	Title: Chief Executive Officer	Title: Compliance Officer		
	Signature:	Signature:		
	Date:	Date:		

Appendix D

Form 2: Closure of a Business Place

1.	General					
1.1	Name of Specialized Leasing Company:					
1.2	Category of the proposed business place to be closed (X):					
	Branch		Collection Center		Others (specify)	
1.3	Date of approval of the Board of Directors for the proposed closure:					
1.4	Reasons for the closure of business place:					
2.	Location					
2.1	Administrative District					
2.2	Name of Town					
2.3	Local Government Authority					
2.4	Divisional Secretariat					
2.5	Postal Address					
3.	Key information of the proposed closure (Rs.mn)					
3.1	Total Assets					
3.2	Loans and advances					
3.3	Other assets					
3.4	Total borrowings					
3.5	Other Liabilities					
3.6	Number of Borrowers					
3.7	Number of Employees					
4.	Describe the actions to be taken on assets, liabilities and employees of proposed closure of business place:					

5. Certification		
The undersigned have the authority to submit this information on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.		
Name:		Name:
Title: Chief Executive Officer		Title: Compliance Officer
Signature:		Signature:
Date:		Date:

Appendix E

Form 3: Relocation of a Business Place

1. General					
1.1	Name of Specialized Leasing Company:				
1.2	Category of the proposed business place to be relocated (X):				
	Branch		Collection Center		Others (specify)
1.3	Date of approval of the Board of Directors for the proposed relocation:				
1.4	Reasons for the relocation of business place:				
2. Location					
2.1	Existing				
	a. Administrative District				
	b. Name of Town				
	c. Local Government Authority				
	d. Divisional Secretariat				
	e. Postal Address				
2.2	New (Proposed)				
	a. Administrative District				
	b. Name of Town				
	c. Local Government Authority				
	d. Divisional Secretariat				
	e. Postal Address				
3.	If an economic feasibility study has been conducted for relocation of the business place and documented?				Yes / No
4.	If a police clearance certificate and necessary approvals/clearance have been obtained from the relevant government authorities to establish the business places at the proposed location?				Yes / No
5. Certification					
The undersigned has the authority to submit this information on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.					
Name:		Name:			
Title: Chief Executive Officer		Title: Compliance Officer			
Signature:		Signature:			
Date:		Date:			

Circular No. 09 of 2020

30 September 2020

EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY

With a view to meeting the challenges faced by the tourism industry due to the Easter Sunday Attack and the outbreak of COVID-19, the Central Bank of Sri Lanka (CBSL) has implemented debt moratorium schemes since April 2019. Considering the ongoing travel restrictions, disruption to economic activities and representations made by the Ministry of Tourism and related agencies, CBSL requests licensed finance companies and specialised leasing companies (hereinafter referred to as Non-Bank Financial Institutions (NBFIs), to provide a debt moratorium to COVID-19 affected businesses and individuals in the tourism sector (hereinafter referred to as the Scheme) for a further period of six months commencing from 1 October 2020 to 31 March 2021. CBSL observed that the proposed Scheme may not cause an undue level of stress or threaten the stability of the NBFI sector considering the lower level of exposure to the tourism sector by NBFI sector and measures proposed by the Ministry of Tourism to revive the tourism industry. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all NBFIs. However, NBFIs may offer any additional concessions to borrowers in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular.

1. General Terms and Conditions

- (i) Eligible borrowers
 - (a) Businesses and individuals who are affected by COVID-19 and registered with:
 - i) Ministry of Tourism
 - ii) Sri Lanka Tourism Development Authority
 - iii) Agencies under Sri Lanka Tourism Development Authority
 - iv) Local Government Authorities such as Pradeshiya Sabha, Urban Council or Municipal Council. However, such businesses shall now register with the relevant institutions referred in i), ii) and iii) above
 - v) Department of Cultural Affairs
 - vi) The Hotels Association of Sri Lanka
 - (b) Employees of eligible businesses who are affected by COVID-19. In the case of such employees, the registration of the business with the relevant institutions referred in (a) above shall be considered sufficient.
- (ii) Credit facilities to be supported under this Scheme shall include all performing credit facilities as at 18 April 2019 or a later date, granted to eligible borrowers and non-performing loans re-structured under Circular No. 05 of 2020 issued on 27 March 2020.
- (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of six months commencing 1 October 2020 to 31 March 2021.
- (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant NBFI on or before 25 October 2020 and NBFIs are required to finalize the terms and conditions and enter into new agreements with eligible borrowers before 30 November 2020.
- (v) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for this extension.
- (vi) NBFIs shall accommodate such requests, considering the potential repayment capacity of the borrower.
- (vii) The installment due on the interest free term loan (i.e. the interest accrued during the previous moratorium period i.e. from 01 April 2020 to 30 September 2020) as per the Explanatory Note No. 03 of 2020 and No. 04 of 2020, may be recovered from the eligible borrowers commencing from 01 April 2021, if customers make a such request.

2. Structuring the debt moratorium

- (i) NBFIs shall convert the capital and interest falling due during the moratorium period commencing from 1 October 2020 to 31 March 2021 into a term loan.
- (ii) Such converted loan shall be recovered from eligible borrowers not earlier than 1 July 2021 onwards.
- (iii) NBFIs may charge an interest rate for the converted loan, not exceeding the latest auction rate for 364-days Treasury Bills, available as at 1 April 2021, plus 5.5 per cent per annum and shall not exceed 11.5 percent per annum.

- (iv) The repayment period of such converted loan shall be minimum of two years. However, if the borrower wishes to repay the loan in less than two years or if the NBFIs wishes to offer a longer period, NBFIs may facilitate such requests. NBFIs and the borrower shall agree on the interest rate, if the repayment period varies from the stipulated two-years period.
- (v) NBFIs shall waive off the accrued and unpaid penal interest as at 1 October 2020, if any, on performing and non-performing loans considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

3. Reporting Requirement

NBFIs shall report the details of moratorium availed by borrowers to the Director of Department of Supervision of Non-Bank Financial Institutions as at 30th of each month, within 15 working days commencing from 1 December 2020. A reporting format is given at Annex I & II.

4. Revocations

Circular No 07 of 2020 dated 16 July 2020 on Relief Measures to Assist COVID-19 Affected Businesses and Individuals is hereby revoked.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Annex I

Circular No 09 of 2020
Details of Borrowers Availing Concessions Granted to Tourism Industry
Applied/Granted Contracts

Name of LFC/SLC:

as at end of:

Serial Number	Contract No.	Name of the Borrower	Circular No. 01 of 2019		Circular No. 04 and 05 of 2020		Circular No. 09 of 2020		Number of Moratorium Requests Approved from 18.04.2019	Total Period of Moratorium (months)	Total Amount Considered for Moratorium (Rs.'000)	New term loan facility for the interest accrual under the Explanatory Note No. 03 of 2020 and 04 of 2020		New term loan facility under Circular No. 09 of 2020		Status of the Moratorium (pending approval/granted)
			Amount Outstanding at the time of granting the moratorium (Rs.'000)	Amount Considered for Moratorium (Rs.'000)	Amount Outstanding at the time of granting the moratorium (Rs.'000)	Amount Considered for Moratorium (Rs.'000)	Amount Outstanding at the time of granting the moratorium (Rs.'000)	Amount Considered for Moratorium (Rs.'000)				Repayment period (months)	Interest rate(%)	Repayment period (Months)	Interest rate(%)	

Column 5,7,9 : The total outstanding amount of installments deferred

Column 10 : Provide the number 1,2 or 3 times

Column 11 : Aggregate No of months moratorium granted from 18.04.2019

Please e-mail to snbfd@cbsl.lk by 15th of the succeeding month.

Circular No 09 of 2020

Details of Borrowers Availing Concessions Granted to Tourism Industry

Denied Contracts

Name of LFC/SLC :

as at end of:.....

[illegible]

Please e-mail to snbfid@cbsl.lk by 15th of the succeeding month.

Finance Leasing Act Directions No. 06 of 2020

30 September 2020

AMENDMENTS TO DIRECTIONS ON LIQUID ASSETS

In terms of the powers conferred by section 34 of the Finance Leasing Act, No.56 of 2000, the Director of the Department of Supervision of Non-Bank Financial Institutions issues the following amendments to the Finance Leasing (Liquid Assets) Direction No.4 of 2012 issued for Specialized Leasing Companies (SLCs), considering the presently challenging environment due to COVID-19 pandemic.

Accordingly, following will replace the Direction 1 of the Finance Leasing (Liquid Assets) Direction No. 04 of 2012.

- | | |
|-------------------------------------|---|
| 1. Minimum holding of liquid assets | Every SLC shall maintain minimum liquid assets at the close of the business on any day of an amount not less than 5 per cent of the total liabilities and off-balance sheet items excluding liabilities to the shareholders, securitizations and asset backed long term (over one year) borrowings. |
| 2. Validity Period | These Directions shall be effective for a period of Six (6) months until 31 March 2021, in order to facilitate the SLCs to overcome stress on liquidity at the present challenging environment |

J D S J Nanayakkara

**Director, Department of Supervision of Non-Bank
Financial Institutions, Central Bank of Sri Lanka**

Finance Business Act Directions No. 07 of 2020

30 September 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 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.

- | | |
|--|---|
| 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:
(i) Six (6) per cent of :-
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
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
(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 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 shall not exceed the market value of the asset and unsecured foreign currency borrowings. |
| 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**

Circular No. 11 of 2020

09 November 2020

DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

With a view to meeting the challenges faced by businesses and individuals' due to the second wave of COVID-19, the Central Bank of Sri Lanka (CBSL) directs licensed finance companies and specialised leasing companies (hereinafter referred to as Non-Bank Financial Institutions (NBFIs), to extend the debt moratorium to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme) for a further period of six months commencing from 1 October 2020 as specified below.

Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all NBFIs. However, NBFIs may offer any additional concessions to borrowers in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular.

1. Tenure and applicability of the moratorium:

- (a) The tenure of the moratorium shall not exceed 6 months commencing from 1 October 2020 or a shorter period as applicable, considering the financial difficulties faced by the eligible borrowers, based on internal guidance given by the NBFIs' Board of Directors or other delegated authority.
- (b) The moratorium shall be granted for both capital and interest on the request made by affected borrowers.

2. Deadline for submission of the application:

Eligible borrowers may request for the moratorium on or before 25.11.2020 in writing or through electronic media. Financial Institutions are required to provide a simple format (hard form/ soft form) for affected borrowers to make the request and communicate the concessions, deadline and format for submission via printed and/or electronic media including email and SMS.

3. Eligible borrowers:

- (a) Businesses, proprietors and individuals engaged in tourism, direct and indirect export-related businesses including apparel, IT, tea, spices, plantation, logistic suppliers and any other sectors that have been adversely affected by work disruption and local and overseas lockdowns resulting from the COVID-19.
- (b) Small and Medium Enterprises (SMEs) and individuals engaged in business sectors such as manufacturing, non-financial services, agriculture (including processing), construction, value addition and trading businesses including authorised domestic pharmaceutical suppliers. For this purpose, SMEs refers to businesses with an annual turnover below Rs. 1 bn.
- (c) Self-employment businesses and individuals who have lost their jobs or income due to the outbreak of COVID-19.

4. Eligible credit facilities:

- (a) Term loans, leasing facilities, pawning, credit facilities similar to overdrafts, trade finance or any other credit facilities, which are in the performing category as at 31.03.2020 or at a later date.
- (b) In the case of credit card facilities, NBFIs may take appropriate business decisions to accommodate any request made by eligible borrowers.

5. Structuring of the moratorium:

- (a) NBFIs shall convert the capital and interest falling due during the moratorium period from 1 October 2020 to 31 March 2021, or a shorter period as applicable, into a term loan.

- (b) In the case of credit facilities similar to overdrafts where borrower is required to service the interest periodically, NBFIs shall convert the interest falling due during the moratorium period from 1 October 2020 to 31 March 2021, or a shorter period as applicable, into a term loan.
- (c) In the case of pawning facilities, the due date falling during the moratorium period shall be extended till 01 April 2021.
- (d) NBFIs may charge an interest rate for the converted loan, not exceeding the latest auction rate for 364-days Treasury Bills, available by 1 April 2021, plus 5.5 per cent per annum and shall not exceed 11.5 percent per annum.
- (e) The repayment period of such converted loan shall be minimum of two years and the repayment shall commence from 01 April 2021. However, if the borrower wishes to repay the loan in less than two years or if a NBFIs wishes to offer a longer period, NBFIs may facilitate such requests. NBFIs and the borrower shall agree on the interest rate, if the repayment period varies from the stipulated two-year period.
- (f) NBFIs shall waive off the penal interest accrued and unpaid as at 1 October 2020, if any. Penal interest shall not be accrued and charged during the moratorium period.
- (g) NBFIs shall ensure that eligible borrowers are made aware of the structure of moratorium facilities prior to approving such moratorium.

6. Accounting considerations on the moratorium

NBFIs shall account for the moratorium as per Sri Lanka Accounting Standards and any additional guidance provided by CASL on Financial Reporting implications under the COVID-19 Pandemic. Financial Institutions may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7. Reporting requirement

NBFIs shall report the details of moratorium availed by their borrowers to the Department of Supervision of Non-Bank Financial Institutions, as relevant as at 15th and 30th of each month, within 5 working days, commencing from 15.12.2020. A reporting format will be issued in due course.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 12 of 2020

27 November 2020

AMENDMENT TO CIRCULAR NO. 11 OF 2020 ON DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

Central Bank of Sri Lanka issues the following amendments to the Circular No. 11 of 2020 on Debt Moratorium for Covid-19 Affected Businesses and Individuals.

Paragraph 2 of the Circular No. 11 of 2020 is amended as follows.

2. Deadline for submission of the application:

- 2.1. The deadline for the submission of request by eligible borrowers to avail the concession has been extended until 10.12.2020. NBFIs are required to finalize the decision and communicate the decision (grant/deny) in writing to the applicant within 45 days of submitting the request. The other clauses of this paragraph remain unchanged.

The following clause is added immediately after paragraph 2.1.

- 2.2. All Chief Executive Officers and Compliance Officers are responsible to lay down the procedure to be followed in granting the relief measures and instruct the branch level staff accordingly.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Finance Business Act Guidelines No. 01 of 2020

30 November 2020

PROMPT CORRECTIVE ACTION FRAMEWORK FOR LICENSED FINANCE COMPANIES

In terms of powers conferred by Section 13 of the Finance Business Act No. 42 of 2011 (FBA), the Monetary Board hereby issues the following Guidelines on the Prompt Corrective Action (PCA) Framework for Licensed Finance Companies (LFCs) with a view to ensuring financial soundness through better risk management policies and practices, improve governance structure in order to protect the interest of depositors and maintain public confidence in the financial system.

In terms of the Section 60 (2) of the FBA, the Monetary Board hereby delegates the authority to take actions mentioned below in terms of Section 12 (1) read with Section 12 (5) and Section 25 (1) to Director, Department of Supervision of Non-Bank Financial Institutions (Director, DSNBFI), where necessary. Regulatory actions mentioned below falling under Section 31 and 37 will be initiated in terms of the provisions of the FBA.

1. Applicability of the Guidelines
 - 1.1 PCA is applicable to all LFCs and outlines the minimum corrective actions applicable when certain capital-based triggers are met.
 - 1.2 This Guideline shall be applicable with effect from 01 July 2022.
2. PCA Capital Categories
 - 2.1 Five (5) PCA capital categories have been established based on the requirements of minimum capital adequacy ratios in terms of the Finance Business Act Direction No. 03 of 2018 on Capital Adequacy Requirements: (i) well capitalized; (ii) adequately capitalized; (iii) under-capitalized; (iv) significantly under-capitalized; or (v) critically under-capitalized.
 - 2.2 Capital thresholds for each PCA capital category applicable to LFCs with assets less than Rs.100 bn and LFCs with assets of Rs.100 bn or more are as below:

PCA capital category	LFCs with assets less than Rs. 100 bn	LFCs with assets of Rs. 100 bn or more
	Total Capital Adequacy Ratio (CAR)	
Well capitalized	CAR \geq 14%	CAR \geq 16%
Adequately capitalized (above the regulatory minimum)	12.5% \leq CAR < 14%	14% \leq CAR < 16%
Undercapitalized	9.5 % \leq CAR < 12.5%	10% \leq CAR < 14%
Significantly undercapitalized	6.5% \leq CAR < 9.5%	7% \leq CAR < 10%
Critically undercapitalized	CAR < 6.5%	< 7%

- 2.3 LFC's Board of Directors (BOD) and senior management shall monitor the LFC's capital levels and be aware of the LFC's PCA capital category. Management of a LFC that operates with capital levels at or near the regulatory minimums should be attentive to the impact of the LFC's operations on capital ratios to avoid becoming subject to restrictions and requirements applicable to undercapitalized, significantly undercapitalized, or critically undercapitalized LFCs.
3. PCA Provisions
 - 3.1 LFCs in each PCA capital category are subject to a defined set of corrective actions. The actions become increasingly severe as the LFC moves downward through each successive PCA capital category.
 - 3.2 Applicable PCA provisions by PCA capital category are as below:
 - (A) **Well capitalized –**
 - (i) Restrict distribution of dividends if the LFC would be under-capitalized or below after making such payment.
 - (B) **Adequately capitalized –**
 - (i) Take action pursuant to well capitalized category, plus;
 - (ii) Require participation in stress testing.

(C) Under-capitalized –

- (i) Require participation in stress testing;
- (ii) Restrict distribution of dividends or repatriation of profits;
- (iii) Suspend any activity that will further deteriorate the capital position / Restrict granting new loans excluding cash back loans / Restrict new loans to sensitive / high risk sectors, i.e., real estate, venture capital, etc., subject to asset growth restrictions as per Guideline 8;
- (iv) Restrict new lines of business and business expansion including branch opening without CBSL approval;
- (v) Limit deposit mobilization, i.e., caps, also subject to restrictions on interest rates payable on deposits as per Guideline 9;
- (vi) Restrict mobilizing new deposit more than insured deposit limit from individual depositors / take steps to pay deposits to respective depositors if he/she has more than the insured deposit limit;
- (vii) Require submission of an acceptable capital restoration plan, as per Guideline 7, to CBSL within 30 days of the date the LFC was notified of its under-capitalized status, unless the CBSL specifies a different time frame;
- (viii) Reduce the stake in financial subsidiaries;
- (ix) Collect the information on realizable assets and liabilities;
- (x) Conduct a forensic audit as directed by CBSL, if necessary, and take legal action against responsible parties.

(D) Significantly under-capitalized –

- (i) Take action pursuant to under-capitalized category, plus;
- (ii) Restrict / limit the payment of compensation, bonuses and benefits to directors and officers;
- (iii) Prohibit to open new deposit accounts and / or renewal of deposits;
- (iv) Require the LFC to alter, reduce, or terminate any other activities;
- (v) Require that the LFC to be acquired or merged with another institution;
- (vi) Require the LFC to strengthen management team / BOD by electing new directors, dismissing directors or senior executive officers, subject to approval by the CBSL;
- (vii) Restrict from entering into any material transaction (defined as, buying, investing or selling of its assets valued more than 10 per cent of core capital of respective LFCs), other than in the usual course of business, including any investment, expansion, acquisition, sale of assets, or other similar action, without CBSL approval;
- (viii) Prohibit granting new credit;
- (ix) Appoint a management panel, if necessary;
- (x) Business suspension under section 31 of the FBA, if necessary.

(E) Critically under-capitalized –

- (i) Initiate actions pursuant to section 37 of the FBA, within thirty (30) days of determining that a LFC is critically under-capitalized.

- | | |
|---|--|
| 4. Notification of Change in PCA Category | <p>4.1 Capital levels of LFCs are assessed as part of the normal supervisory process. A LFC will be notified if capital levels deteriorate to warrant placement into a successive PCA category.</p> <p>4.2 When the Director, DSNBFI determines, through an examination or otherwise, that a LFC's PCA capital category is changed, the Director DSNBFI shall notify the LFC accordingly.</p> <p>4.3 An opportunity will be given to the LFC to appeal against the justification for change in PCA category, within ten (10) working days of receipt of the notification letter.</p> |
|---|--|

- 4.4 Further, if a material event occurs between reporting periods that causes a LFC to be placed in a lower PCA capital category, the LFC must notify the Director DSNBFI that the LFC's PCA capital ratios have changed (i.e. due to accounting adjustments resulting from an external audit). The LFC must provide details of the change in writing to the CBSL within ten (10) working days of the material event.
- 4.5 LFCs may appeal for review of their PCA category between reporting periods if there is sufficient evidence available that they meet the minimum requirements for a higher PCA category. An Appeal Committee within the Department of Supervision of Non-Bank Financial Institutions will review the request for appeal and will accept or reject the appeal within seven (7) working days.
5. Supervisory Discretion in Determining PCA Category
- 5.1 The Director DSNBFI maintains a robust supervisory framework for LFCs and regularly evaluates capital, asset quality, liquidity, operational soundness, etc., through a robust on-site and off-site review process. These efforts assist the Director DSNBFI to detect potential deterioration in the financial soundness of LFC, assess its risk profile and enact appropriate supervisory actions. If a LFC is determined to be in an unsafe or unsound condition or engaged in an unsafe practice, the Director DSNBFI may under certain circumstances, reclassify a LFC to the successive PCA category. Once reclassified, the LFC may be subject to one or more limitations, requirements, and restrictions applicable to that category under PCA.
- 5.2 The Director DSNBFI will recommend a change in PCA category to the MB citing evidence of determination that the LFC is operating in unsafe and unsound condition. If the Monetary Board concurs with the findings, a notice will be sent to the LFC informing of the proposed change in status and citing both the cause and the additional requirements associated with the revised PCA category.
- 5.3 The LFC will have ten (10) days to appeal the change in status. If upon review, the Monetary Board determines that the new PCA category remains warranted, the LFC will be so notified and the PCA category will be put into effect.
6. Disclosure of PCA status
- 6.1 When a LFC is less than adequately capitalized and for each successive PCA category, the Director DSNBFI will disclose the corrective action to the public together with proposed action to rectify the non-compliances. Once the institution is determined to be no longer under prompt corrective action status, the Director DSNBFI will update the public accordingly.
- 6.2 LFCs are prohibited from disclosing their PCA capital categories in advertisements or promotional materials, unless such disclosure is required by a direction or authorized by the Director DSNBFI.
7. Capital Restoration Plan
- 7.1 An under-capitalized LFC shall submit an acceptable capital restoration plan to the Director DSNBFI within thirty (30) days of notification that it is under-capitalized.
- 7.2 The capital restoration plan shall specify:
- a strategic plan for the LFC;
 - current and pro-forma financial statements;
 - current and long-term budgets;
 - an analysis of prospective sources of capital;
 - a list of supporting assumptions;
 - the steps the LFC will take to become adequately capitalized;
 - the levels of capital to be attained during each year in which the plan will be in effect;
 - how the LFC will comply with the provisions in effect under PCA;
 - the types and levels of activities in which the LFC will engage;
 - provide any additional information/documents as required by the CBSL;
- 7.3 The Director DSNBFI will review the capital restoration plan for its viability and ensure that the plan is likely to succeed in restoring the LFC's capital, will not materially increase the risk to the LFC and includes affidavits that the LFC will comply with the plan until the LFC has been adequately capitalized on average during each of four (4) consecutive calendar quarters.

- | | | |
|---|------|---|
| | 7.4 | The Director DSNBFI will review the capital restoration plan within ten (10) working days after the plan is submitted and inform the LFC of acceptance/rejection of the aforementioned plan. |
| | 7.5 | The Director DSNBFI will closely monitor the LFC's financial condition on a monthly basis and evaluate progress against the capital restoration plan and compliance with applicable provisions. If the capital restoration plan, restrictions or requirements are insufficient for supporting a return to health, the CBSL may downgrade the LFC's PCA category (notwithstanding the PCA provisions as per Guideline 3), enact more stringent regulatory actions or require a new capital restoration plan, as needed. |
| | 7.6 | The Director DSNBFI may require a LFC to submit all relevant documents or information, including documents or information relating to an individual / investing entity, investing entity's associate or related companies, and their ultimate beneficial owners (Annex I). |
| 8. Asset Growth Restrictions of Under-capitalized LFCs | 8.1 | Average total assets of an under-capitalized LFC during any calendar quarter must not exceed its average total assets during the preceding quarter unless: <ul style="list-style-type: none"> (a) the CBSL has approved its capital restoration plan; (b) the increase in total assets is consistent with the approved capital restoration plan; and (c) the LFC's total risk-based capital ratio increases during the calendar quarter at a rate sufficient to enable it to become adequately capitalized within a reasonable time. |
| 9. Restrictions on Interest Rates Payable on Deposits by Under-capitalized LFCs | 9.1 | LFCs which are under-capitalized shall be restricted from paying interest rates in excess of the prevailing rates on deposits of comparable amounts and maturities, if necessary, as per below; <ul style="list-style-type: none"> (a) 100 basis points lower than the maximum interest rate payable as per the direction |
| 10. Time line to improve PCA Category | 10.1 | Non-compliant LFCs (under-capitalized or significantly under-capitalized LFCs) are granted a maximum period of one (1) year to improve the status of LFCs as adequately capitalized. |
| | 10.2 | When such LFCs fail to comply with above, they shall consolidate/exit as per the CBSL approved plan. |
| 11. Transitional Provisions | 11.1 | LFCs which are noncompliant with CAR currently, are subject to any PCA provisions recommended by the CBSL. |
| 12. Reporting Requirements | 12.1 | Progress of the regulatory actions taken shall be reported to the Monetary Board on quarterly basis. |

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex I

This policy document sets out the investor suitability requirements that must be complied by new investors who propose to acquire controlling stake (major shareholder)¹ of the Licensed Finance Companies (LFCs)

1. General requirements

- 1.1. An investor must comply with the investor suitability requirement set out below on an ongoing basis and must not act in a manner that would be detrimental to the safety and soundness of the licensed entity.
- 1.2. In assessing an investing entity's suitability, the Monetary Board of Central Bank of Sri Lanka (CBSL) will consider the specific circumstances of the investor, the significance of such circumstances and the potential risks posed to the financial institution. Where it is uncertain as to whether an investor has complied with the requirements in this document, the Monetary Board of CBSL shall have the full discretion to make that determination.

2. Legal requirements for Determining Investor Suitability

- 2.1. As per the Section 15 of the Finance Business Act, No.42 of 2011, the CBSL requires LFC to submit all relevant documents or information relating to an individual / investing entity and / or investing entity's associate or related companies, and their ultimate beneficial owners (Annex I(a)).

¹. Please refer page no.19 for Major Shareholder

3. Requests for Additional Information

- 3.1. If the CBSL determines that an application is incomplete or feels that additional information is warranted prior to rendering its determination, the CBSL may send a letter to the LFC requesting the additional information on investing party and providing a deadline for response. If the LFC fails to submit the information within the requested timeframe, the CBSL may reasonably cause the application to be considered incomplete and reject it without further consideration. Applicable time line for assessment of investing entity is given at Annex I (b).

4. Evaluation process

4.1. Assessment of fit & proper

- (a) The CBSL shall be authorized to carry out background checks and may require any additional documents and information in relation to an application made. The declaration on Fit and Propriety shall be obtained for Directors/ Officers Performing Executive Functions of investing entity (foreign /local) and any changes to proposed Directors/ Officers Performing Executive Functions of the target finance company post-acquisition/investment.
- (b) The CBSL performs standard background checks through the following:
 - i. Credit bureaus;
 - ii. Reference checks;
 - iii. Publicly available online resources. The CBSL uses online services that compile legal, news, and business information. Inconsistencies between the submitted "Corporate Background and Financial Report" and the online resources available to the CBSL may require additional information, clarification, or an explanation and may delay the review and processing of the filing;
 - iv. Other methods, as required.
- (c) Qualifications of Directors / Proposed Directors and Officers Performing Executive Functions / Proposed Officers performing executive functions shall be made available to the CBSL for consideration of their compliance with Fit and Proper requirements outlined within the Finance Companies (Assessment of fitness and propriety of Directors and Officers Performing Executive Functions) Directions No.03 of 2011, as amended.

4.2. Review of business proposal/plan

- (a) The LFC shall submit a formal business proposal/plan of investing entity along with a detailed explanation of any planning changes to the business strategy, corporate structure and management of the financial institution. The business plan or proposal must adequately address strategic planning and growth strategies, minimum capital requirements, and financial and risk management techniques, including applicable risk measurement, monitoring, and control processes. The business plan should also include any planned changes in geographic market or targeted customer base; expected changes to the institution's funding profile; and a detailed explanation of any changes or additions to the existing lines of business, where applicable. Where significant changes are anticipated, the investing entity should outline the risk associated with those activities and any systems, strategies or internal controls expected to be instituted to assist in managing the risk emanating from these changes.
- (b) Internal Evaluation Committee (IEC) has to be established in order to evaluate and select investor/s. IEC would comprise of two Deputy Directors (DD) (one DD who is in charge of respective LFC), 2 senior officers and officer in charge of respective LFC.

5. Approval and conditionality

- 5.1. The Monetary Board of the CBSL shall have power to approve or reject any application made under this section. An approval may be subject to certain terms and conditions as the Monetary Board of CBSL may deem fit. This may include conditions to address weaknesses in safety and soundness, regulatory compliance or may relate more broadly to the future state of the Non-Bank Financial Institution. The CBSL may limit the ability of the acquiring individual/investor to materially change the business of the target institution, or may impose selectively higher capital ratios for that entity until such time that it has been returned to safe and sound condition.
- 5.2. The CBSL shall not grant an approval to any application made under the above section if it determines that one or more of the following circumstances apply:
- (a) the applicant, being an individual, is not a fit and proper person;

- (b) the applicant, being a body corporate, has one or more directors or chief executive who are not fit and proper persons;
- (c) the applicant, being a body corporate, has beneficial owners that cannot be established;
- (d) proposed Directors and or Officers Performing Executive Functions for the target entity do not meet fit and proper guidelines;
- (e) Black listed investors such as persons who have already submitted fraudulent information to CBSL;
- (f) the business restructuring proposal does not assure the safety and soundness concerns or does not result in an entity being fully compliant with regulatory standards;
- (g) the future prospects of the institution which might jeopardize the financial stability of the LFC or prejudice the interests of its depositors;
- (h) the CBSL cannot trace the financial sources for the investment/acquisition or they are found to be illegitimate;
- (i) the interested investor or corporate entity neglects, fails, or refuses to furnish the CBSL with all required information; and
- (j) any other concerns that the Monetary Board of the CBSL, believes that granting approval may diminish to the safety and soundness of LFC or the system as a whole.

6. Appeals

If the decision informed by the Monetary Board of CBSL provides adverse information on the investing entity or related parties, investing entity is allowed to make an appeal to the Monetary Board of the CBSL with the timeframe prescribed by the CBSL, with supporting evidences to overcome the issue.

Annex 1(a)

Corporate Background and Financial Report Form

I. Corporate Information of Investor/Acquirer

- (a) Name of individual/institution:
- (b) Mailing Address:
- (c) Telephone No, Fax No. and e-mail Address:
- (d) If investing party is an individual,
 - (i) Nature of business:
 - (ii) Others:
- (e) If investing party is an institution
 - (i) Date Established:
 - (ii) Place Incorporated or Operating city/state:
 - (iii) Nature of business:
- (f) Trade names and / or other names used in place of given name, period of use, and reason why.

Name	Period of Use	Reason for Use

- (g) List of subsidiaries and affiliates of the company. (An organization chart may be provided for names and relationships to the parent).

Name	Location (Address)	Relation to Company	Percentage Owned by Company	Nature of Operation

- (h) List of other entities (excluding subsidiaries and affiliates of the company) where the company has the power to vote 10 percent or more of voting securities

Name	Location (Address)	Relation to Company if any	Percentage Owned by Company	Nature of Operation

II. Credentials

Indicate each professional license or similar certificate of incorporation the company, its affiliates, and subsidiaries now holds or has ever held (for example, brokerage, fiduciary, real estate or insurance license, pawning, money changing, Securities and Exchange Commission (SEC) registration) and complete the following:

Name	Licence	Issuing Authority	Date Issued	Date Expired

III. Business and Banking Affiliations

For each investor, indicate any positions currently held (director, officer or employee) in any other depository institution or holding company. Also indicate if any investor/acquirer directly or indirectly (such as through personal trusts, corporations, or similar arrangements) owns, controls, or has the power to vote 10 percent or more of any class of voting securities or other voting equity interest of any other depository institution or holding company.

Full name of each Investor or Transferee	Name and Address of Each Depository Institution or Holding Company	Position and Date Appointed	Percentage Ownership of Institution

IV. Details of Investment/Acquisition

- (a) Indicate the following

- The purchase price(s) per share of shares to be acquired: Rs. _____
- Total purchase price for the entire proposed transaction: Rs. _____
- The current book value / purchase price per share: Rs. _____
- The current market value per share: Rs. _____

- (b) Provide the following information:

Full name of each Investor or Transferee	Total Purchase Price	Source and Amount of Funds
TOTAL:		

V. Proof of Funds

- Provide bank confirmation / bank guarantee / foreign sources through Inward Investment Account.
- If any portion of the funds (or other consideration) for the investment/ acquisition will be borrowed, indicate the name of each borrower, name and address of each lender, amount financed, collateral to be pledged, and terms of the transaction, including interest rates, amortization requirements, guarantors, endorers, co-makers, and any other arrangements, agreements and understanding between and among the parties. If applicable, submit a copy of any loan commitment letter.

- c. Indicate the means through which the borrowed funds will be repaid. Provide details if the investor/ acquirer will rely on salaries, dividends, fees, or other funds from the depository institution or holding company to be acquired.

VI. Provide the following information if applicable (private placement):

Name of each seller or transferor	Number of shares per class of securities, now owned, controlled or held	Number of shares per class of securities to be sold or transferred	Number of shares per class of securities after completion of acquisition
TOTAL:			
Total as % of shares outstanding per voting class of securities			

VII. Business Proposal/Plan

- (a) Investing entity shall submit the business proposal/plan. Submitted proposal/plan adequately address strategic planning, growth strategies, minimum capital requirements, risk management techniques and control process.
- (b) Describe in detail any plans or proposals that any investor may have to: (a) liquidate the depository institution or holding company to be acquired, (b) sell its assets, (c) merge it with any company, or (d) make any other significant change in its business strategy or corporate structure.
- (c) A detailed explanation of actions the investing entity will undertake to support compliance with existing and future regulations for LFCs.
- (d) Attach a copy of the corporation's last 3 years audited financial statements (if the audited financial statements are in foreign currency, reports need to be submitted in rupees)

(Further, if entity is incorporated for purpose of this investment (SPV), audited accounts of holding / subsidiary of that entity)

VIII. Legal and Related Matters

(If answer to any item (a) – (f) below is yes, describe the situation in detail, including the name and location of the institution, business, or parties involved, the date(s), nature of the charge/association/proceeding, name and address of court involved, and the disposition).

- (a) Has the individual, corporation, its affiliates, or subsidiaries ever been the subject of an application or notice that was filed in final form with regulatory or supervisory authority in Sri Lanka or abroad?

Yes / No

If "yes" was such application or notice subsequently denied, withdrawn, or otherwise failed to obtain favourable action?

Yes / No

- (b) Has the individual, corporation, its affiliates, or subsidiaries, in the last five years, been involved or is currently involved in an investigation or inquiry for an act involving fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal or other body established by law, in Sri Lanka or abroad?

Yes / No

- (c) Has the individual, corporation, its affiliates, or subsidiaries or any of their senior executive officers, directors or principal shareholders (controlling stake) been subject to an investigation or inquiry for an act involving fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal or other body established by law, in Sri Lanka or abroad?

Yes / No

If "yes" complete the following

Name /Type of Business	Relationship/ Stock Owned	Nature of Charge/ Proceeding	Date of Charge	Jurisdiction Location	Disposition Date

- (d) Has individual or any senior executive officer, director, or major shareholder of the corporation, its affiliates, or subsidiaries, ever been involved in an insured depository institution under Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010 that (1) failed; (2) received financial assistance from Sri Lanka Deposit Insurance and Liquidity Support Scheme or (3) was a merger partner with an institution that received financial assistance from Sri Lanka Deposit Insurance and Liquidity Support Scheme?

Yes / No

- (e) Has the individual, corporation, its affiliates or subsidiaries filed for bankruptcy or forfeited property?

Yes / No

- (f) Has the individual, corporation, its affiliates, or subsidiaries ever defaulted on a loan for which it was guarantor?

Yes / No

If yes provide the details, including direct and indirect debt terms, defaulted amount and lender

- IX. The Board of Directors and Officers Performing Executive Functions shall submit an affidavit and declaration as per the format given by the CBSL under the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No. 3 of 2011 as amended. If changes are contemplated in the Board of Directors or Officers Performing Executive Functions of the depository institution or holding company to be acquired, submit affidavit under above for analysis.

X. Additional Information

Present any other information believed important to evaluate the filing. If involved in the organization of a new institution, discuss the corporation's proposed role.

Declaration

I understand that the CBSL may conduct checks into the background, experience, and related matters of and its subsidiaries and affiliates in conjunction with our application. I certify that the information contained in the attached (biographical report, financial statement, and / or foreign certification) has been examined carefully by me on the company's behalf and is accurate, complete, and made in good faith. I acknowledge that submission of any misrepresentation or omission of a material fact, in any of these documents is a criminal offence.

Signed this day of, 20.....

.....

Signature

.....

Print or type

.....

Title (if applicable)

Annex I(b)

Applicable time line for assessment of Expression of Interest

Activities	Time lines
Call for Expression of Interest (EOI)	2 weeks
Request for Proposal (RFP) from potential investors including documents/information specified in Annex I.	2 weeks
Preliminary evaluation	3 days
If the information requested is not adequate based on Annex I, request to submit pending information.	1 week
Carried out detail evaluation based on the information obtained including (i) Corporate Background and Financial Information Report (ii) Fit and Proper Test (iii) Comprehensive Business Plan (iv) Detailed explanation of expected efforts to ensure compliance with regulatory requirements and standards (v) Proof of Funds (vi) Reference Checks (If required) (vii) Any additional materials requested.	2 weeks

Report provided to Monetary Board on outcome of investigations and internal review of submitted documentation and Decision by Monetary Board	1 week
Inform to the decision to the investor	Immediately
Appeals Process	Within 3 days after receiving the final decision of the CBSL.

‘Major shareholder’ shall mean an individual or corporate body or an unincorporated body, or acting in concert with any other individual, corporate body or unincorporated body or a group holds directly or indirectly 25% of the issued capital carrying voting rights in the LFC.

‘Acting in concert’ shall mean acting pursuant to an understanding (whether formal or informal) to actively co-operate in acquiring shares carrying voting rights in a LFC.

‘Directly and indirectly held by a shareholder’ shall mean holding of shares carrying voting rights by a company, an incorporated body, or an individual or held in aggregate by:

- a. a company and one or more of the following:
 - (i) its subsidiaries;
 - (ii) its holding company;
 - (iii) a subsidiary of its holding company; or
 - (iv) a company in which such company or its subsidiary, or its holding company, or a subsidiary of its holding company has a substantial interest; or
- b. an individual and one or more of the following:
 - (i) his relatives – “relative” shall have the same meaning as contained in the definition in section 74 of the Finance Business Act, No. 42 of 2011;
 - (ii) a company in which he has a substantial interest or in which his relative has a substantial interest; the subsidiary of such company; a holding company of such company; a subsidiary of such company’s holding company; a company in which such company, or its subsidiary or its holding company or a subsidiary of its holding company has a substantial interest; or
 - (iii) an incorporated body other than a company in which such individual; or his relative has a substantial interest; or
- c. companies in each of which an individual or company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.

Finance Business Act Directions No. 08 of 2020

30 November 2020

MAXIMUM PERCENTAGE LIMITS OF SHARE CAPITAL OF LICENSED FINANCE COMPANIES

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

The Monetary Board of the Central Bank of Sri Lanka issues Directions as follows for the maximum shareholding limits of Licensed Finance Companies (LFCs) under the provisions of section 12 of the Finance Business Act, No. 42 of 2011.

1. Empowerment
 - 1.1 In terms of the provisions of section 12 (1) (n) of the Finance Business Act, No. 42 of 2011, the Monetary Board may give directions to licensed finance companies or to any group or category of licensed finance companies regarding the manner in which any aspect of the business and corporate affairs of such finance companies are to be conducted and, in particular, *inter alia*, the maximum percentage of the share capital in a finance company which may be held –
 - (i) by a company, an incorporated body, or an individual; and
 - (ii) in the aggregate by-

- (a) a company and one or more of the following:-
 - (aa) its subsidiary companies;
 - (bb) its holding company;
 - (cc) a subsidiary company of its holding company; or
 - (dd) a company in which such company or its subsidiary company, or its holding company, or a subsidiary company of its holding company has a substantial interest; or
 - (b) an individual and one or more of the following:-
 - (aa) his relative;
 - (bb) a company in which he has a substantial interest or in which his relative has a substantial interest;
 - (cc) a subsidiary company of such company;
 - (dd) the holding company of such company;
 - (ee) a subsidiary company of such company's holding company;
 - (ff) a company in which such company, or its subsidiary company, or its holding company, or a subsidiary of its holding company has a substantial interest; or
 - (gg) an incorporated body, other than a company, in which such individual or his relative has a substantial interest; or
 - (c) companies in each of which an individual or a company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.
- 2. Applicability of the Direction
 - 2.1 The provisions of these Directions shall apply on all LFCs other than an LFC which is a subsidiary of a licensed bank or a special approval is given to an LFC by the Monetary Board for an exemption to hold shares carrying voting rights in excess of the limits specified herein.
 - 2.2 A special approval by the Monetary Board may be given to hold shares carrying voting rights of an LFC in excess of the limits specified in Direction 4.1, below, and shall require such LFC to reduce such shareholding to the limit as may be determined by the Monetary Board, on case-by-case basis, on a staggered basis over a longer time period, subject to submission of a viable plan by the respective LFC, under following special circumstances:
 - i. Restructuring of a problematic/weak LFC;
 - ii. LFCs undergoing a consolidation process; or
 - iii. In view of stability of an LFC or the sector as a whole.
- 3. Effective Date
 - 3.1 These Directions are effective from 01 January 2022.
- 4. Maximum Shareholding Limits
 - 4.1 LFCs shall reduce the direct or indirect holding of shares carrying voting rights by any shareholder up to a maximum limit of 50% of the issued capital carrying voting rights in the LFC, by 31.12.2033.
 - 4.2 The above maximum limits of shares carrying voting rights as specified in Direction 4.1, above shall be achieved in 2 phases, whereby the LFC shall reduce the holding of shares carrying voting rights to a maximum limit of 75% of the issued capital carrying voting rights of the LFC, by 31.12.2029 and, thereafter LFCs to a maximum limit of 50% by 31.12.2033 on a staggered basis as suggested by the Board of Directors of the LFC which will be approved by the Director, as may deem fit.
 - 4.3 Notwithstanding Directions 4.1 and 4.2 above, the Monetary Board may restrict the maximum limit of shares carrying voting rights held by a major shareholder of a LFC to a limit below 50% of the issued capital carrying voting rights of the LFC, on the following grounds:-
 - i. such major shareholder, being an individual, is determined by the Monetary Board as an individual not fit and proper,
 - ii. such major shareholder, being a company, a body corporate or an unincorporated body, has one or more directors or chief executive officer who are determined by the Monetary Board as individuals not fit and proper; or

- iii. in the opinion of the Monetary Board that such major shareholder exerts significant influence or excessive power in decision making and operations of the LFC that would threaten the sound and prudent management of the LFC.
5. Regulatory Measures for non-compliance
- 5.1 In the event any LFC contravenes or fails to comply with any provisions of this Direction or requirement made or imposed thereunder, the Monetary Board, having considered a report made by the Director, shall take any measure including the following:
- i. freeze distribution of dividends or repatriation of profits of such LFC, as and when necessary;
 - ii. restrict voting rights on shares held by any shareholder in excess of the specified limits, with effect from 01.01.2030;
 - iii. prohibit the issue of further shares carrying voting rights or pursue any offer made to shareholders who hold such shares in excess of specified limits;
 - iv. restrict expansion of business operations of such LFC;
 - v. impose monetary penalties as determined by the Monetary Board; or
 - vi. impose disclosure requirements on non-compliances.
6. Interpretations
- In this Direction,
- ‘Director’** shall have the same meaning as in section 74 of the Finance Business Act, No. 42 of 2011.
- ‘Major shareholder’** shall mean an individual or corporate body or an unincorporated body, or acting in concert with any other individual, corporate body or unincorporated body or a group holds directly or indirectly 25% of the issued capital carrying voting rights in the LFC.
- ‘Acting in concert’** shall mean acting pursuant to an understanding (whether formal or informal) to actively co-operate in acquiring shares carrying voting rights in a LFC.
- ‘Directly or indirectly held by a shareholder’** shall mean holding of shares carrying voting rights by a company, an incorporated body, or an individual or held in aggregate by:
- a. a company and one or more of the following:
 - (i) its subsidiary companies;
 - (ii) its holding company;
 - (iii) a subsidiary company of its holding company; or
 - (iv) a company in which such company or its subsidiary company, or its holding company, or a subsidiary company of its holding company has a substantial interest; or
 - b. an individual and one or more of the following:
 - (i) his relatives – “relative” shall have the same meaning as contained in the definition in section 74 of the Finance Business Act, No. 42 of 2011;
 - (ii) a company in which he has a substantial interest or in which his relative has a substantial interest; the subsidiary company of such company; a holding company of such company; a subsidiary company of such company’s holding company; a company in which such company, or its subsidiary company or its holding company or a subsidiary company of its holding company has a substantial interest; or
 - (iii) an incorporated body other than a company in which such individual; or his relative has a substantial interest; or
 - c. companies in each of which an individual or company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

