

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

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Monetary Law Act Order No. 01 of 2022

11 March 2022

**AMENDMENT TO THE 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 has adopted monetary policy tightening measures in the recent past including an increase of policy interest rates to dampen the possible build-up of underlying demand pressures in the economy, which would, in turn, help ease pressures in the external sector, thus promoting greater macroeconomic stability. Consequently, considering the increase in overall market interest rates, the Monetary Board hereby issues an amendment to the Monetary Law Act Order No. 02 of 2020 on the Maximum Interest Rates on Lending Products of Licensed Banks.

Accordingly, Order 2.1 of the Cited Order is replaced as follows and Order 2.2 is deleted.

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| <p>2. Interest Rates on LKR denominated loans and advances</p> | <p>2.1 Commencing 14 March 2022, the maximum interest rates that shall be charged by licensed commercial banks and licensed specialised banks for the credit card advances, pre-arranged temporary overdrafts and pawning advances are given below:</p> <ul style="list-style-type: none"> (i) 20 per cent per annum on credit card advances commencing from the next billing cycle. (ii) 18 per cent per annum on pre-arranged temporary overdrafts. (iii) 12 per cent per annum on the money lent for pawning advances collateralised by personal articles made of gold accepted as a pledge, for all new pawning advances and existing pawning facilities that are renewed. |
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Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 02 of 2022

11 March 2022

**AMENDMENT TO THE MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS OF LICENSED
COMMERCIAL BANKS AND THE NATIONAL SAVINGS BANK**

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

Considering the recent monetary policy tightening measures, the expected macroeconomic developments and the prevailing interest rates on foreign currency deposits of licensed banks, the Monetary Board hereby issues an amendment to the Monetary Law Act Order No. 03 of 2021 on Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank, removing the existing maximum interest rate limits imposed on foreign currency deposits of licensed commercial banks and the National Savings Bank.

Accordingly, Orders 2 and 3 of the cited Order are deleted.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 01 of 2022

22 March 2022

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE BY LICENSED COMMERCIAL BANKS

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

Banking Act Directions No. 07 of 2021 dated 25 April 2021 on Forward Sales and Purchases of Foreign Exchange by Licensed Commercial Banks are hereby revoked.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 01 of 2022

24 March 2022

GUIDELINES ON ESTABLISHMENT OF POST COVID-19 REVIVAL UNITS IN LICENSED BANKS

The prolonged nature of the COVID-19 pandemic has led to disruption in income generating activities of businesses adversely impacting their ability to duly repay their loans and thereby impairing the recovery process of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks). Therefore, with a view to facilitating the sustainable economic revival of businesses affected by the COVID-19 pandemic and to mitigate the increase in impaired assets of licensed banks, the Central Bank of Sri Lanka (CBSL) in its "Six-Month Road Map for Ensuring Macroeconomic and Financial System Stability" announced the need for establishment of Post COVID-19 Revival Units in licensed banks. Accordingly, CBSL hereby issues broad guidelines to give effect to the establishment of Post COVID-19 Revival Units in licensed banks.

1. **Objective**
 - 1.1 The purpose of establishment of the Post COVID-19 Revival Unit (hereinafter referred to as the Unit) is to identify and assist under performing and non-performing borrowers of licensed banks who are affected by COVID-19 and are facing financial difficulties due to reduction of income or sales, reduction or impairment of business operations or the closure of business etc., with the aim of reviving viable businesses which will provide benefits to such borrowers, leading to enhancement of economic activities and contributing to the development of the national economy.
2. **Governance Framework and Resources**
 - 2.1 Licensed banks are required to formulate a revival and rehabilitation policy approved by the Board of Directors for a locally incorporated licensed bank and the regional/global head office for a licensed bank incorporated outside Sri Lanka.
 - 2.2 The revival and rehabilitation policy should *inter alia* include the following at a minimum:
 - (i) the mandate for establishment of the Unit;
 - (ii) its scope of activities including deliverables;
 - (iii) the revival mechanism for borrowers including financial and non-financial strategies which may include but not limited to rescheduling/restructuring of existing credit facilities;
 - (iv) granting other additional credit facilities on needs basis and;
 - (v) provide any other appropriate measures for the revival of affected borrowers, post COVID-19.
 - 2.3 The Unit shall be headed by a Key Management Personnel of the licensed bank with sufficient authority and seniority to ensure effective and efficient oversight of the Unit and expeditious implementation of revival and rehabilitation activities.
 - 2.4 Licensed banks to ensure that the Unit shall be adequately staffed and possess sufficient expertise and authority for credit appraisal and monitoring and be provided with all other resources on needs basis.
 - 2.5 In the case of banks with more than 50 bank branches, such licensed banks may consider establishment of Units at large branches / regional offices of banks as appropriate. Other licensed banks shall have the Post COVID-19 Revival Unit centrally.
3. **Duties and Functions of the Revival Unit**
 - 3.1 The Unit shall actively liaise with branches and other business units of the bank to;
 - (i) identify borrowers who require rehabilitation assistance, including borrowers considered for liquidity support to unwind moratorium
 - (ii) develop rehabilitation proposals after completing a thorough analysis and coordination with all stakeholders
 - (iii) obtain necessary approvals and review the performance
 - 3.2 In the case of 3.1(i) above, licensed banks shall not consider the following borrowers for revival.
 - (a) Borrowers that have been identified as willful defaulters
 - (b) Borrowers that have defaulted due to diversion of funds (i.e., funds borrowed from licensed banks have been utilised for purposes un-related to the operations of the business of the borrower)
 - (c) Borrowers that have defaulted due to mismanagement and/or frauds in the business
 - (d) Borrowers engaged in unviable projects

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| | 3.3 | In the case of 3.1(i) above, licensed banks may consider the following borrowers for revival at the discretion of the banks.
(i) Borrowers that have been classified as non-performing prior to 01 April 2020.
(ii) Borrowers that are under litigation. |
| | 3.4 | The Unit shall conduct awareness programs on rehabilitation, initiatives, procedures and methodologies to relevant stakeholders viz., branches and business units of the bank, borrowers etc. |
| | 3.5 | The Unit shall provide credit counselling and business advisory services and assist businesses in reaching out to potential investors, obtain seed capital, equity etc., if necessary. |
| 4. Accounting Considerations | 4.1 | Licensed banks shall adopt accounting treatment for facilities considered under the Unit as per the Sri Lanka Accounting Standards and related Circulars/guidelines issued by CBSL. In the case of risk elevated borrowers or sectors, licensed banks are required to make adequate impairment charges. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri Lanka and Auditors for additional guidance and clarification in this regard. |
| 5. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka | 5.1 | Licensed banks, in consultation with CRIB, shall develop a reporting modality to report credit facilities transferred to this Unit, so that participation in revival and rehabilitation schemes of this Unit will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports. |
| 6. Re-finance or Interest Subsidy Schemes | 6.1 | The restructuring of facilities granted under refinance or interest subsidy schemes shall be considered in accordance with the related guidelines issued by the Regional Development Department of CBSL or the Ministry of Finance in this regard. |
| 7. Recovery Action for Default after Revival | 7.1 | Licensed banks may adopt suitable recovery actions against borrowers that have failed to adhere to the terms and conditions agreed for revival and rehabilitation under this Unit as per the bank's internal guidelines and policies. |
| 8. Implementation | 8.1 | Licensed banks are required to make necessary arrangements to establish Post COVID-19 Revival Units by 30 April 2022. In the case of licensed banks that have already established Revival Units such banks may expand the scope of activities of these Units to be in line with the requirements of this Circular. |
| 9. Reporting Requirement | 9.1 | Licensed banks shall report the details on progress of rehabilitation proposals availed to the bank's borrowers as at the end of each quarter, within 15 working days, commencing 30 June 2022 as per the reporting format given in Annex I. |

Attachments of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_1_of_2022_e.pdf

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 03 of 2022

21 April 2022

INTEREST RATES ON LENDING AND DEPOSIT PRODUCTS OF LICENSED BANKS

- (1) The Central Bank of Sri Lanka (CBSL) having considered the tight monetary policy measures adopted thus far hereby revokes Order 2.1 of the Monetary Law Act Order No. 02 of 2020 dated 21 August 2020 as amended by the Order 2.1 of the Monetary Law Act Order No. 01 of 2022 dated 11 March 2022, effective as follows.
- (i) Credit card advances, commencing from the next billing cycle.
 - (ii) All new pre-arranged temporary overdrafts and existing pre-arranged temporary overdrafts that are renewed/extended.
 - (iii) All new pawning advances and existing pawning advances that are renewed.
- (2) Licensed banks shall adjust the deposit rates adequately, in line with the tight monetary policy measures adopted by CBSL, to attract deposits into the banking system.

Mrs. T M J Y P Fernando
**Senior Deputy Governor
Central Bank of Sri Lanka**

Banking Act Directions No. 02 of 2022

06 May 2022

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 prevailing macroeconomic conditions and the importance of maintaining appropriate levels of liquidity and capital buffers in licensed banks, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

1. **Empowerment**
 - 1.1 In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76J (1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
2. **Scope of Application**
 - 2.1 These Directions shall be applicable to every licensed bank incorporated in Sri Lanka and every licensed bank, which is a branch of a bank incorporated or established outside Sri Lanka, on a standalone basis.
3. **Restrictions on Discretionary Payments**
 - 3.1 Every licensed bank incorporated or established in Sri Lanka shall defer payment of cash dividends until the financial statements/interim financial statements for the year 2022 are finalized and audited by its External Auditor.
 - 3.2 Every licensed bank incorporated outside Sri Lanka shall defer repatriation of profits not already declared for financial years 2021 and 2022 until the financial statements for the year 2022 are finalized and audited by its External Auditor.
 - 3.3 Licensed banks shall give due considerations to the requirements of the Banking Act Direction No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, expected assets growth, business expansion and the potential impact of the COVID-19 pandemic and prevailing macroeconomic conditions when deciding on payments of cash dividends and profit repatriations.
 - 3.4 Licensed banks shall adhere to the following with immediate effect, until 31 December 2022.
 - (a) Refrain from buying-back of its own shares.
 - (b) Refrain from increasing management allowances and payments to Board of Directors.
 - (c) Refrain from incurring non-essential and/or non-urgent expenditure and have a Board approved policy to rationalise if such expenditure is to be incurred.
 - (d) Exercise extreme due diligence and prudence when incurring capital expenditure, if any.
4. **Effective Date**
 - 4.1 These Directions shall be implemented with immediate effect.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Direction No. 03 of 2022

19 May 2022

MARGIN REQUIREMENTS AGAINST IMPORTS

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 preserving the stability of the exchange rate and foreign currency liquidity in the banking system, requires licensed commercial banks (LCBs) and National Savings Bank (NSB) to adopt the following measures on imports of certain non-essential and non-urgent goods, with immediate effect until further notice.

1. A 100 per cent non-interest bearing cash margin shall be kept on the invoiced value of imports specified in Annex I, made under Documents against Acceptance (DA) and Documents against Payment (DP) terms.
2. In the case of NSB, the margin requirements specified in Direction 1 above, shall be applicable for such imports made under Letter of Credit (LC) terms, in addition to DA and DP terms.
3. In the case of existing DAs and DPs covering the importation of goods covered by these Directions, no increase in the value of such DAs and DPs shall be permitted by LCBs and NSB unless such increase is covered by the cash margin deposits as required in Direction 1 above.
4. Such non-interest bearing cash margin shall be placed by the importer with the bank that releases documents, at the time of acceptance of documents by the importer or at the time of making the endorsement by the licensed bank, in terms of Operating Instructions No. 05/2022 dated 12.05.2022, issued by the Controller General of Imports & Exports.
5. Such non-interest bearing cash margin requirement shall be on the total value of the invoice, regardless that the same invoice includes goods that are not covered under these Directions.
6. LCBs and NSB shall endorse the invoice to the effect that the margin deposit has been obtained.
7. The margin deposit shall be released on providing documentary evidence on payments through the banking channels in Sri Lanka and customs documents relating to clearance of imports.
8. LCBs and NSB shall not grant any loan facilities to enable importers to place the margin deposits in respect of these imports.
9. The provisions of these Directions shall have effect in addition to any requirement in force for the time being and such other requirements that may be introduced in terms of any law in respect of importation of goods.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Attachments of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_03_of_2022_e.pdf

Banking Act Direction No. 04 of 2022

23 May 2022

REGULATORY REQUIREMENTS AMIDST PREVAILING EXTRAORDINARY MACROECONOMIC CONDITIONS

As a measure to maintain adequate capital to meet any losses, the banking sector has over the years built-up capital to enable banks to operate in a sound and resilient manner. These buffers have stood well to absorb unexpected losses during challenging times and has also helped banks to mobilise long term funding at reduced levels of risk-premia as well as maintain its credit ratings.

However, after carefully considering the extraordinary circumstances caused by the current macroeconomic conditions, the Monetary Board hereby issues the following Directions to licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), subject to periodic review.

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| 1. Empowerment | <ol style="list-style-type: none"> 1.1 In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. 1.2 In terms of Section 76J (1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| 2. Capital Conservation Buffer (CCB) | <ol style="list-style-type: none"> 2.1 Licensed banks may drawdown the CCB, up to 2.5% subject to conditions stipulated in Direction No. 01 of 2016 on Capital Requirements under Basel III for licensed commercial banks and licensed specialised banks, which are specified below: <ol style="list-style-type: none"> (i) The distributions will be subject to the following restrictions as specified in Table 01. |

Table 01 - Minimum CCB Ratios

CCB Maintenance Ratio	Applicable Minimum Earnings Retention Ratio
2.5 %	0%
> 1.875% - 2.5%	40%
> 1.25% - 1.875%	60%
> 0.625% - 1.25%	80%
0 % < - 0.625 %	100%

(ii) Licensed banks shall consider this Direction as a prior approval of the Monetary Board to drawdown CCB and shall submit a Board approved capital augmentation plan on rebuilding the CCB within 03 years, to the Director of Bank Supervision within 21 days of drawing down the CCB.

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| <p>3. Computation of Risk Weighted Assets for Operational Risk under Capital Adequacy Requirements</p> | <p>3.1 As stipulated under Banking Act Direction No.01 of 2016, licensed banks may move to The Standardised Approach (TSA) or The Alternative Standardised Approach (ASA) to compute risk weighted assets for Operational Risk, until 31.12.2023, by adopting a prudent documented procedure for mapping its current business activities to the appropriate business lines in accordance with Directions, subject to obtaining prior written approval of the Director of Bank Supervision.</p> |
| <p>4. Staggering the Mark to Market Losses</p> | <p>4.1 Licensed banks may stagger the overnight mark to market losses on Government Securities denominated in LKR, held at fair value arising from the changes in policy interest rates as announced in the Monetary Policy Review No-03 dated 08.04.2022, up to Q2 of 2024 as stipulated below for the purpose of computing the capital adequacy ratio, subject to the conditions stipulated in Directions 4.2 and 4.3 below:</p> |

Table 02 - Staggering of overnight Mark to Market loss for Computation of Capital Adequacy Ratio

Cumulative percentage of Absorption		
Q2 2022	Q2 2023	Q2 2024
33.33 %	66.66%	100%

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| <p>4.2 Licensed banks are required to submit an assessment of such loss to be staggered to the Director of Bank Supervision with a certification provided by external/internal auditors validating the amount.</p> | <p>4.3 If a licensed bank decides to stagger the above mark to market loss, such licensed banks shall not pay any dividends/repatriate any profits and shall refrain to the extent possible from incurring non-essential and capital expenditure until the entire mark to market loss on Government Securities is fully recognised in the capital adequacy computation.</p> |
| <p>5. Treatment of Other Comprehensive Income (OCI)</p> | <p>5.1 Licensed banks may include 100 percent of accumulated OCI gains which are reflected in the statement of changes in equity as per the latest available annual or interim audited financial statements, subject to complying with all other conditions stipulated in the Banking Act Directions No.01 of 2016.</p> |
| <p>6. Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)</p> | <p>6.1 Licensed banks are permitted to operate maintaining an LCR and NSFR at a minimum level of 90% up to 30.09.2022, as a short-term measure to adjust the liquidity profiles of licensed banks, with enhanced supervision and frequent reporting.</p> |
| <p>7. Minimum Capital Requirement</p> | <p>7.1 The deadline for the enhancement of minimum capital requirement of licensed banks as stipulated in Banking Act Direction No. 05 of 2017 is extended up to 31.12.2023, for licensed banks which fail to meet the minimum capital requirement by 31.12.2022.</p> <p>7.2 Such licensed banks shall submit their capital augmentation plan, including plans to consolidate or merge with suitable financial institutions, together with timelines to the Director of Bank Supervision by 31.12.2022 to meet the minimum requirements by 31.12.2023 and shall refrain from distribution of dividends/ repatriation of profits until the minimum capital requirements are met.</p> |

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| 8. Submission of Internal Capital Adequacy Assessment Process (ICAAP) | 8.1 | Licensed banks are granted time until 30.06.2022 to submit the ICAAP document for 2022. |
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Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 04 of 2022

08 June 2022

**MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS OF LICENSED COMMERCIAL BANKS
 AND THE NATIONAL SAVINGS BANK**

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

Monetary Law Act Order No. 03 of 2021 dated 30 December 2021 on Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank except Order 7 is hereby revoked.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 05 of 2022

22 June 2022

SUSTAINABLE FINANCE ACTIVITIES OF LICENSED BANKS

The Central Bank of Sri Lanka (CBSL), having considered the importance of committing to achieving the Sustainable Development Goals of United Nations and the need to transit towards a green, inclusive and balanced economy in Sri Lanka, published the Road Map for Sustainable Finance in Sri Lanka in 2019. The Road Map provides a broader direction to financial regulators and financial institutions to effectively manage environmental, social and governance (ESG) risks associated with projects they finance and promote assistance to businesses that are greener, climate-friendly and socially inclusive.

The Road Map, required to establish a classification and measurement system for sustainable activities, i.e., a taxonomy, for Green Finance activities in Sri Lanka with the support of all stakeholders. The Sri Lanka Green Finance Taxonomy was published by CBSL on 06 May 2022.

Considering the national importance of promoting sustainable financing initiatives and the need for providing a governance and risk management framework for licensed banks in respect of sustainable finance activities, the Monetary Board hereby issues the following Directions on Sustainable Finance activities in licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, with a view to facilitating a sustainable economy and promoting the sustainable finance practices of licensed banks, in line with Sustainable Finance Road Map of CBSL.

- | | | |
|---|-----|--|
| 1. Empowerment | 1.1 | In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| | 1.2 | In terms of Section 76J(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| 2. Applicability | 2.1 | These Directions shall be applicable to all licensed banks. |
| 3. Sustainable Finance Initiatives | 3.1 | Licensed banks shall identify and develop appropriate guidelines to conduct its business activities in a sustainable manner. |
| | 3.2 | Licensed banks shall develop innovative financial solutions to support sustainable initiatives. |
| | 3.3 | Licensed banks shall consider raising funds via instruments such as green/sustainable bonds and allocate such funding to invest in/fund sustainable activities. |

4. Identified Priority Sectors

- 4.1 The following sectors/activities are identified as priority sectors to provide sustainable lending facilities by licensed banks:

Identified Sectors	Prioritized Sub Sectors
Agriculture, forestry and logging	Sustainable agriculture, forestry development
Manufacturing	Energy saving machinery/ equipment
Electric power generation, transmission and distribution	Renewable energy projects
Transportation and storage	All forms of sustainable transport and storage
Water supply, sewerage and waste management	Water supply/management projects, Waste management projects
Construction	Green construction projects
Sustainable Tourism and recreation	All sustainable tourism and recreational activities
Other Sectors	Gas, steam and air conditioning supply, Financial Services, Information and communications technology, Sustainable Women Empowerment initiatives etc.

- 4.2 Licensed banks shall consider the applicable environmental/climate adaptation and mitigation aspects, social impact, regulations, certifications, and relevant external and internal guidelines on sustainable activities granting funding to above priority sectors and reporting above information.

- 4.3 Licensed banks shall ensure the compliance with the requirements of the Sri Lanka Green Finance Taxonomy when identifying the above priority sectors and activities.

5. Governance Framework for Sustainable Finance Initiatives

- 5.1 Board of Directors (BOD) and senior management shall ensure effective and efficient overseeing of the Sustainable Finance activities and a BOD approved policy at a minimum shall include the following:

- clear roles and responsibilities of BOD and senior management on overseeing of the bank's environmental and social risks and sustainable business activities;
- identify main risks for the licensed bank on environmental aspects and green and climate financing activities;
- ensuring that sustainable financing activities and identified environmental risks are addressed in the bank's overall risk management framework;
- policies and processes to assess, monitor, review and report such risks;
- parameters and metrics for measuring the progress of sustainable finance initiatives; and
- appropriate internal controls to be in place.

- 5.2 The Chief Financial Officer and relevant Key Management Personnel of the licensed banks under the guidance provided by the BOD shall ensure:

- policies, tools, metrics, operational procedures and controls implemented by the bank in respect of sustainable finance are reviewed and updated regularly (at least annually) and integrated with other relevant policies and procedures of the bank.
- adequate resources, skills and expertise are allocated to the management of sustainable finance activities;
- clear articulation of the roles and responsibilities of business units and functions in managing risks associated with sustainable finance; and
- BOD is informed in a timely manner on material issues, relating to sustainable financing and business practices.

- 6. Risk Management**
- 6.1 Licensed banks shall identify and evaluate the risks stemming from associated climate, environmental and other green financing activities considering the nature, scale, complexity, and interconnectedness of its operations and assess the magnitude and materiality of such risks.
- 6.2 Licensed banks shall incorporate ESG risk management to the entire decision-making processes, including environmental and social policies, risk assessment, environmental and social covenants.
- 6.3 All material risks, defined in 6.1 above, shall be considered in the Pillar II assessment under Capital requirements for the licensed banks.
- 6.4 Licensed banks shall identify how risks identified in Direction 6.1 will affect its business model and assess the potential impact on the bank.
- 6.5 Licensed banks shall implement effective risk management practices and internal controls to mitigate risks in Direction 6.1 above.
- 6.6 Licensed banks may conduct scenario analysis and stress testing to assess the impact of potential/alternative climate related risks and green financing activities.
- 7. Capacity Building and Innovation**
- 7.1 Licensed banks are expected to build capacity on Sustainable Finance activities going forward providing adequate training to staff members.
- 7.2 Licensed banks are expected to develop and provide new innovative sustainable finance solutions to customers.
- 7.3 Licensed banks shall develop expertise in environmental stress testing and scenario analysis, whilst obtaining appropriate external expertise on environment and climate related risk aspects.
- 8. Disclosures and Reporting**
- 8.1 Licensed banks shall disclose the following information related to sustainable finance practices in their annual reports:
- (a) An overview on bank's sustainable finance policies and activities;
- (b) Identified sustainable finance related risks and associated mitigation measures; and
- (c) A statement on banks approach towards sustainable finance activities and way forward.
- 8.2 Licensed banks are encouraged to disclose environmental and social impact generated from business activities using internationally recognized reporting frameworks, such as Global Reporting Initiative (GRI) and recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).
- 8.3 Licensed banks shall submit the information required as per Annex I to the Bank Supervision Department, within 30 days from the end of each quarter.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Annex I

Quarterly Statement on Sustainable Financing Activities of Licensed Banks						
As at						
Name of the Licensed Bank –						
	Sector	Sub Sector (Identify as defined in Sri Lanka Green Finance Taxonomy for applicable facilities)	No. of Credit Facilities	Value of Outstanding Credit Facilities as at Q.... XX	No of New Credit Facilities granted during Q.... XX	Value of the new Credit Facilities granted during Q... XX
1.	Agriculture, Forestry and Logging	Sustainable Agriculture				
		Forestry and Logging				
		Other Sustainable Activities				

2.	Manufacturing	Energy saving machinery/equipment				
		Other Sustainable Manufacturing				
3.	Electric power generation, transmission and distribution	Renewable energy projects				
		Other Sustainable Activities				
4.	Transportation and storage	All forms of sustainable Transportation and storage				
5.	Water supply, sewerage and waste management	Water supply/management projects				
		Waste management projects				
		Other Sustainable Activities				
6.	Construction	Green construction projects				
		Other Sustainable Activities				
7.	Sustainable tourism and recreation	All sustainable tourism and recreation activities				
8.	Other Sectors	Gas, steam and air conditioning supply				
		Financial Services				
		Information and communications technology				
		Sustainable Women empowerment initiatives, if not covered under any other area				
		Other Sustainable Lending (Please Specify)				
		Total				

Email to Bank Supervision Department, Database - bsddb@obs1.lk, within 30 days from the end of each quarter

Banking Act Directions No. 06 of 2022

04 July 2022

ADDENDUM TO THE BANKING ACT DIRECTION NO. 8 OF 2011 CUSTOMER CHARTER OF LICENSED BANKS ACCESSIBILITY TO BANKING SERVICES FOR CUSTOMERS WITH SPECIAL NEEDS

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 Monetary Board of the Central Bank of Sri Lanka hereby issues the following addendum to the Banking Act Direction No. 08 of 2011, on Customer Charter of Licensed Banks, with a view to further strengthening the financial consumer protection measures for customers with special needs.

Accordingly, paragraph 7 of the Annexure to Banking Act Direction No. 08 of 2011 on Customer Charter of Licensed Banks, is expanded as follows:

7. Special attention and care

- 7.1 The customers such as elderly, disabled or customers with low financial literacy (hereinafter referred as customers with special needs) have the right to receive special attention to facilitate them to have a fair access to banking services.
- 7.2 Accordingly, licensed banks shall implement comprehensive policies and procedures to ensure improved access to banking services for customers with special needs, including but not limited to the Guidelines provided in Schedule 1.
- 7.3 Licensed banks shall expedite the implementation of such measures at branches to avoid inconvenience to concerned customers.

Dr P Nandalal Weerasinghe
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

SCHEDULE 1**GUIDELINES FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS TO IMPROVE ACCESSIBILITY TO BANKING SERVICES FOR CUSTOMERS WITH SPECIAL NEEDS****1. Introduction**

- 1.1 These guidelines set minimum requirements for licensed banks to facilitate accessible banking services for customers with special needs and improve financial consumer protection, and financial inclusion of such customers.
- 1.2 In the context of these guidelines, “customers with special needs” refer to individuals who require additional assistance to perform banking transactions and/or to obtain banking services due to physical, or medical conditions including, but not limited to visual impairments, hearing impairments, loss of limb/s, etc. and due to old age.

2. General Guidelines**2.1 Improve Accessibility to Banking Services**

- (i) Licensed banks shall ensure that customers with special needs have fair access to banking services and products, in a similar manner to any other customer.
- (ii) In this regard, licensed banks shall provide the following to ensure accessible banking services to individuals with special needs.
 - (a) Licensed banks shall ensure that all newly opened physical service outlets such as bank branches, mobile banking units, and self-service machines including Automated Teller Machines (ATMs) and Cash Deposit Machines (CDMs) are accessible to customers with special needs including customers using wheelchairs, crutches, walkers, etc.
 - (b) Digital banking channels including internet banking and mobile banking apps to be compatible with international accessibility standards accommodating options such as screen magnifiers, screen readers, text to speech and providing text transcript to allow audio information accessible, etc., where applicable. In this regard, licensed banks are expected to streamline their apps and website to be compatible with the in-built, standard accessibility features of devices (mobile phones, laptops, tabs, etc.) used by customers with special needs.
 - (c) Licensed banks are required to establish quality control/assurance function or a similar arrangement to ensure that banking products and services are accessible friendly for customers with special needs.

2.2 Special Attention and Due Care

- (i) Licensed banks may consider flagging bank accounts of customers with special needs enabling the bank staff to recognize such customers and pay special attention and due care when providing banking services to such customers.
- (ii) Licensed banks shall provide special training to relevant staff at bank branches and other service outlets to equip them to provide cordial and effective service to customers with special needs.
- (iii) Licensed banks shall ensure that the customers with special needs have access to obtain assistance from bank staff in case the customer believes that such assistance is necessary for them to perform/obtain banking services.
- (iv) Licensed banks shall maintain a customer care hotline/electronic media (live chat) to assist customers with special needs in resolving their complaints/issues and make customers aware of such facilities.

2.3 Ensure Fair Treatment

- (i) Licensed banks shall ensure fair treatment to all customers, including those with special needs. Accordingly, licensed banks shall review their internal policies and procedures that hinder fair access to banking services by customers with special needs.
- (ii) Licensed banks shall not deny the provision of banking services to customers based on their age or special needs, nor enforce any additional terms and conditions (including any requirement that prevent such customer from obtaining banking services from a branch other than the branch where the respective account is opened) which may place such customers in a disadvantageous position.
- (iii) Licensed banks may consider using biometric authentication options such as fingerprint readers to verify the identity of such customers whose identity cannot be verified due to not being able to place a valid signature.
- (iv) Licensed banks are encouraged to promote a diverse and inclusive culture to create a welcoming environment for individuals with special needs and ensure zero tolerance for discrimination on any grounds.

3. Specific Guidelines to Improve Banking Experience for Customers with Visual Impairments

- 3.1 **Facilitate Informed Decision Making:** Licensed banks shall ensure that the customers with visual impairment have access to adequate information on the banking products and services at the point of onboarding and, thereafter, with respect to, but not limited to, the features, terms and conditions of the products or services for informed decision making.
- 3.2 Banks may consider allocating dedicated staff to assist customers with special needs and make available the key documents in accessible friendly electronic media to make informed decisions.
- 3.3 **Accessibility and Visibility Options:** Licensed banks shall formulate a plan with timelines to provide customers the option to opt for high visibility versions of various documents such as bank statements, mandates, various applications with larger fonts and high contrast colours for the benefit of elderly customers and those with partial visual impairment.
- 3.4 Licensed banks shall consider accessibility features for visually impaired customers as important when procuring new Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs) and other self-service machines (SSMs) with a view to making use of Brail keypads and audio input/output facilities therein to provide access to banking services for visually impaired customers. In this regard, banks shall introduce such machines to facilitate the visually impaired customers and replace existing incompatible ATM machines with new machines, in an orderly manner in the future.
- 3.5 Licensed banks shall establish above machines strategically in consultation with other banks to ensure that at least one such machine is generally available in each locality catering to the needs of visually impaired customers.
- 3.6 Licensed banks shall ensure that no additional conditions are enforced on visually impaired customers, such as forcing to open joint accounts, restricting banking services to the branch at which such customers have opened their bank accounts.

4. Implementation

- 4.1 Licensed banks shall implement comprehensive policies and procedures to ensure improved access to banking services for customers with special needs, including but not limited to the Guidelines, with a view to addressing any practical difficulties faced by such customers in obtaining banking services.
- 4.2 Licensed banks shall not levy any additional charge or fee to the customers who avail such accessibility options obtaining banking services.
- 4.3 Considering the additional resources involved in implementing certain requirements, banks are permitted to stagger the implementation, with a view to achieving full compliance by 31.12.2022.

Circular No. 02 of 2022

07 July 2022

CONCESSIONS TO AFFECTED BORROWERS AMIDST THE PREVAILING EXTRAORDINARY MACROECONOMIC CIRCUMSTANCES

With a view to meeting the challenges faced by businesses and individuals engaged in various economic sectors due to the prevailing extraordinary macroeconomic circumstances, the Central Bank of Sri Lanka (CBSL), requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to provide the following concessions, to affected borrowers, on a need basis.

These concessions are granted to devise suitable repayment arrangements based on the new repayment capacities of the borrower, on a case-by-case basis, while preserving banking sector stability by preventing any elevated strain on the financial system. Accordingly, this Circular is issued to provide broad guidelines with prudential requirements for consistent implementation across all licensed banks. Licensed banks may consider implementing these concessions through the Post COVID-19 Revival Units which have already been established in terms of the Circular No. 01 of 2022 issued on 24 March 2022.

1 Concessions for performing credit facilities

- 1.1 Licensed banks are required to provide appropriate concessions (i.e., grace period for capital or interest or both capital and interest or part of the capital or interest, re-structuring of credit facilities, or any other concession) for performing credit facilities of individuals or businesses (hereinafter referred to as borrowers) whose income or business has been adversely affected by the current macroeconomic conditions including those borrowers who were already subject to COVID-19 moratoriums. These concessions are expected to be provided to affected borrowers in all economic sectors, including but not limited to tourism, transportation, and Micro, Small and Medium scale Enterprises (MSME) engaged in business sectors such as manufacturing, services, agriculture, and construction on a case-by-case basis, for a period of six months from the date of this Circular, based on the new repayment capacity/ viability of the borrower.

- 1.2 In the case of regular installment loans, the licensed banks shall devise a mechanism to structure the repayment plan not exceeding the contracted instalment value of the existing credit facility or facilities, with an extended tenure, to match with the repayment capabilities of the borrowers. In the case of other credit facilities, the licensed banks shall devise a suitable mechanism to structure the repayment plan.
- 1.3 In the case of Rupee facilities considered for the concessions, the interest rate applicable for the concessionary period (including the recovery period) shall not exceed the latest contracted rate of interest or the Standard Lending Facility Rate applicable on the date of this Circular (15.5%), whichever is higher, and shall be charged only on the amount considered for the concession. In the case of foreign currency facilities, licensed banks may charge a concessionary rate of interest rate as mutually agreed with the customer.

2 Applicability of Concessions for Credit Facilities Granted under Refinance/Interest Subsidy Schemes

- 2.1 Licensed banks shall seek necessary guidelines from the relevant agencies, and government authorities with regard to extending these concessions for credit facilities granted under various refinance or interest subsidy schemes, introduced by the government or other agencies.

3 Facilitating Early Settlements

- 3.1 In the case where any borrower wishes to fully settle any of the existing credit facilities, such borrower shall be given the opportunity to do so, without charging any additional fee, such as early settlement charges. In the case of lease facilities, recovery of future interest shall also be waived off.
- 3.2 Licensed banks may also consider providing rebates for such early settlements, on a case-by-case-basis.
- 3.3 Any borrower who is willing for an early settlement of credit facilities shall make a request to the respective licensed bank on or before 30.09.2022.

4 Concessions for Non-performing Credit Facilities

- 4.1 Licensed banks may consider providing appropriate concessions, including rescheduling for existing non-performing credit facilities over a longer period, on a case-by-case basis, considering the future repayment capacity/viability of such individuals and businesses/ projects.
- 4.2 Licensed banks shall devise a suitable mechanism to structure the repayment plan.
- 4.3 In the case of Rupee facilities, interest rate applicable for concessions granted to non-performing credit facilities, shall not exceed the latest contracted rate of interest or the current Standard Lending Facility Rate applicable as at the Circular date (15.5%), whichever is higher¹. In the case of foreign currency facilities, licensed banks may charge a concessionary rate of interest rate as mutually agreed with the customer.
- 4.4 Licensed banks shall suspend recovery actions including parate execution and forced repossession of leased assets against all credit facilities that have been classified as non-performing on or after 01.01.2020, until 31.12.2022 in order to enable the borrowers to arrange timely repayments.
- 4.5 In the case of recovery actions against SME paddy millers, banks may suspend recovery actions including parate execution against any non-performing credit facilities, until 31.12.2022, provided that an agreement is reached between the borrower and the licensed bank on diverting sales proceeds of the upcoming harvesting season directly to the banks via a suitable mechanism to settle the existing pledge loans in full and/ or existing non-performing credit facilities (part or full settlement).
- 4.6 In case where a licensed bank has commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 04 of 1990 or Mortgage Act. No. 06 of 1949, as amended, or Finance Leasing Act, No. 56 of 2000, or any other relevant Act, in this regard, such recovery actions shall be suspended until 31.12.2022, on condition that the concerned licensed bank and the borrower reach a debt repayment agreement.
- 4.7 Licensed banks shall defer passing new resolutions under the above Acts, for recovery of such loans and advances until 31.12.2022, on condition that the concerned licensed bank and the borrower reach a debt repayment agreement. In instances where resolutions for recovery actions have already been passed, auctioning of assets shall be suspended until 31.12.2022.
- 4.8 In instances where there are on-going litigations in Courts relating to recovery, the borrower shall enter into an agreement in the Courts to avail these concessions.

¹ The explanation on non-performing loans provided in the attached Guidelines of CASL states that "the revised interest rate cannot exceed 14.5%". However, licensed banks should adhere with Section 4.3 of this Circular.

- 4.9 However, willful defaulters, defaults due to diversion of funds, defaults due to mismanagement and/ or frauds in the business and unviable projects shall not be considered for any of the above concessions.
- 4.10 Licenced banks may continue the routine collection procedure/ recovery follow up without excessively contacting, visiting, or forcing the borrower.

5 Reporting to the Credit Information Bureau

- 5.1 Licensed banks shall not decline new loan applications from borrowers solely based on adverse CRIB records.
- 5.2 Licensed banks shall develop a reporting modality, in consultation with CRIB, to report concessions granted to affected borrowers, if necessary.

6 Accounting Treatment and Impairment

- 6.1 Licensed banks shall adhere to Sri Lanka Accounting Standards and the attached Guidelines read with the Addendum issued by the Institute of Chartered Accountants of Sri Lanka (CASL) with regard to accounting for the facilities considered for concessions.
- 6.2 Licensed banks may seek advice from CASL and Auditors for additional guidance/ clarifications in this regard.

7 Transparency of the Concessions

- 7.1 Eligible borrowers may request for the above concessions on or before 31 July 2022 in writing or through electronic means.
- 7.2 Licensed banks shall make the decision on whether to accept or decline the request made by the borrower within one month of the receipt of the request and duly inform the borrower of such decision.
- 7.3 In the case of a rejection of request, licensed banks shall inform the borrower the reasons for such rejection and shall advise the borrower by and through the same letter that there is an opportunity for the borrower to appeal against such rejection to the Director, Financial Consumer Relations Department of the Central Bank of Sri Lanka.
- 7.4 Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities and the applicable interest rate prior to approval and the consent of the borrower shall be obtained in writing or through electronic means.

8 Reporting Requirement

Licensed banks shall report the details of concessions availed by their borrowers to the Bank Supervision Department, as at each month end, within 15 working days, commencing from 31 July 2022. A reporting format will be issued in due course.

Dr P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Attachments of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_2_of_2022_e.pdf

Banking Act Order No. 01 of 2022

26 August 2022

BANKING (OFF-SHORE BANKING BUSINESS SCHEME) ORDER DESIGNATED FOREIGN CURRENCIES

Order made by the Monetary Board of the Central Bank of Sri Lanka with the approval of the Minister, under Sections 23, 25 and 26 of the Banking Act, No. 30 of 1988, as amended.

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| 1. Designated Foreign Currencies | 1.1 The foreign currencies set out in the Schedule below in this Order are determined as the Designated Foreign Currencies under the Banking (Off-Shore Banking Business Scheme) Order. |
| | 1.2 The Schedule in this Order, replaces the Schedule in the Banking (Off- Shore Banking Business Scheme) Order No. 01 of 2021, dated 18.06.2021. |

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Schedule

Designated Foreign Currencies

- | | |
|----------------------|--------------------------|
| 1. Australian Dollar | 9. New Zealand Dollar |
| 2. Canadian Dollar | 10. Norwegian Kroner |
| 3. Chinese Renminbi | 11. Pound Sterling |
| 4. Danish Kroner | 12. Singapore Dollar |
| 5. Euro | 13. Swedish Kroner |
| 6. Hongkong Dollar | 14. Swiss Franc |
| 7. Indian Rupee | 15. Thai Baht |
| 8. Japanese Yen | 16. United States Dollar |

Banking Act Directions No. 07 of 2022

29 August 2022

MANDATORY RECORDING OF THE UNIQUE IDENTIFICATION NUMBERS OF DEPOSITORS BY LICENSED BANKS

The Central Bank of Sri Lanka with a view to strengthening the soundness and integrity of the information management process of the licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), hereby issues the following Directions to licensed banks on mandating the recording of Unique Identification Numbers (UINs) of depositors by licensed banks in the respective banking systems.

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| 1. Empowerment | 1.1 | In terms of Section 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| | 1.2 | In terms of Section 76J(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| 2. Scope and Applicability | 2.1 | These Directions shall be applicable to all licensed banks including operations conducted through agents and third-party service providers. |
| 3. Mandatory Recording of UINs of Depositors | 3.1 | All licensed banks shall mandatorily record the identification number given in Annex I to these Directions as the UIN for each type of depositor. |
| 4. Implementation | 4.1 | Licensed banks shall comply with the requirements of these Directions with effect from 01.10.2022 for all new depositors. |
| | 4.2 | Licensed banks shall complete recording of UINs of the existing depositors in the systems by 31.12.2023. |

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex I

TABLE I: UNIQUE IDENTIFICATION NUMBERS (UINs) FOR EACH CATEGORY OF DEPOSITORS

Type of Depositor	Type of Identification Number	Remarks
Individuals		
Sri Lankan Citizens	National Identity Card (NIC) Number	Licensed banks can accept the driving licence or passport of the customer to open accounts. However, it is compulsory to record the NIC number in the banks' systems.

Sri Lankan Citizen (residing outside Sri Lanka/PR holders/TR holders) Sri Lankan Dual Citizens (residing in SL), Sri Lankan Dual Citizens (residing outside Sri Lanka)	National Identity Card (NIC) Number	Sri Lankan Passport Number can be used only when NIC has been temporarily surrendered by a depositor.
Non-Sri Lankan Citizens	Foreign Passport Number	Including Foreign Nationals of Sri Lankan origin (residing outside Sri Lanka), Foreign Nationals on temporary visit to Sri Lanka or intending to visit Sri Lanka, Foreign Diplomats.
Minor Depositors	Date of Birth + Birth Certificate Number E.g.: Date of Birth — 07th January 2005 (2005.01.07) Birth Certificate Number - 0325 UIN — 200501070325	Date of birth followed by the Birth Certificate Number in the same field to create a 12-digit number
Institutions	-	-
Companies registered under the Companies Act	Company Registration Number	-
Non-Governmental Organizations	Registration Number issued by the National Secretariat for Non-Governmental Organizations	-
Institutions registered under divisional/local government bodies such as Proprietorships/Partnerships/Joint Ventures, etc.	Business Registration Number	-
All other entities such as clubs, associations, societies, etc.	Registration Number issued by the relevant Authorities	-

Banking Act Directions No. 08 of 2022

18 November 2022

REGULATORY REQUIREMENTS ON LIQUIDITY RATIOS

The Monetary Board, considering the extraordinary circumstances caused by the current macroeconomic conditions, issues the following Directions to licensed commercial banks and licensed specialised banks.

1. **Empowerment**
 - 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 46(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 licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.3 In terms of Section 76J(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
2. **Statutory Liquid Assets Ratio (SLAR)**
 - 2.1 Commencing from December 2022, licensed commercial banks are required to maintain liquid assets of an amount not less than 20% of total adjusted liabilities, on a consolidated basis for the overall bank, until further notice.
 - 2.2 The requirement to maintain SLAR separately for Domestic Banking Unit (DBU) and Off-shore Banking Unit (OBU) as stipulated under the Circulars dated 21 January 2003, 08 October 2003 and 20 May 2004 is temporarily deferred.

- 2.3 Licensed commercial banks shall continue the reporting of separate SLAR for DBU and OBU to the Bank Supervision Department for monitoring purposes.
3. **Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR)**
- 3.1 Licensed commercial banks and licensed specialised banks are permitted to maintain an LCR and NSFR at a level not less than 90% up to 31.12.2022, as a short-term measure to allow further time to adjust the liquidity profiles of licensed banks, with enhanced supervision and frequent reporting.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Determination No. 01 of 2022

05 December 2022

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.

In terms of Sections 8(l) and 76D (6) of the Banking Act No. 30 of 1988, the Monetary Board has determined that every licensed commercial bank and licensed specialised bank shall pay the licence fee in respect of the calendar year 2023 to the Central Bank of Sri Lanka on or before 31st January 2023, based on the total assets of such bank as per regulatory reporting as at the end of 2022, as set out in the Table below.

Annual licence fee for the year 2023

Total Assets as at the end 2022 (Rs. Bn)	Licence Fee (Rs. Mn)
Above 2,000	38.0
Above 1,000 to 2,000	35.0
Above 500 to 1,000	28.5
Above 200 to 500	25.0
Above 125 to 200	18.5
Above 75 to 125	12.5
25 to 75	6.5
Less than 25	3.3

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. - 2263/41- FRIDAY, JANUARY 21, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, No. 58 OF 1949

Rules made under section 10(c) read with section 68 of the Monetary Law Act, No. 58 of 1949

Nivard Ajith Leslie Cabraal,
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Central Bank of Sri Lanka
 Colombo,
 21 January, 2022

ACCEPTANCE OF FOREIGN EXCHANGE WITHIN SRI LANKA BY HOTEL SERVICE PROVIDERS

1. These Rules shall be cited as the "Acceptance of foreign exchange within Sri Lanka by Hotel Service Providers Rules, No. 01 of 2022", and shall be effective from 21 January 2022.
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of the Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby issues Rules in respect of the Acceptance of foreign exchange within Sri Lanka by hotel service providers.
3. Hotel service providers registered with and licensed by the Sri Lanka Tourism Development Authority are hereby required to accept payments in respect of services rendered to persons resident outside Sri Lanka only in foreign exchange with effect from the date of these Rules.
4. Foreign currency so accepted in terms of Rule 3 above shall be sold to a licensed commercial bank or to a permitted licensed specialized bank or credited into a Business Foreign Currency Account of the hotel service provider within three business days from the date of acceptance of such foreign currency.
5. All payments made through electronic fund transfer cards in terms of Rule 3 above shall forthwith be credited into a Business Foreign Currency Account of the hotel service provider.
6. Without prejudice to Rule 3 above, a hotel service provider may accept payments in respect of services rendered to a person resident outside Sri Lanka in Sri Lanka Rupees provided that such person submits original documentary evidence to the effect that such Sri Lanka Rupees represent the foreign currency brought into Sri Lanka by persons resident outside Sri Lanka and converted through an authorized dealer or restricted dealer.
7. A hotel service provider shall endorse the original documents provided to him by a person resident outside Sri Lanka and retain copies of such documentary evidence for a period of six years or such other record keeping period imposed by law as may be applicable, from the date of acceptance such Sri Lanka Rupees.
8. All hotel service providers shall submit reports and/or statements to the Sri Lanka Tourism Development Authority with copies to the Department of Foreign Exchange of the Central Bank of Sri Lanka as may be required from time to time, by the Director General of the Sri Lanka Tourism Development Authority and/or the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka.
9. All hotel service providers shall provide unencumbered access to the officers of the Central Bank of Sri Lanka, as may be authorized by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained for the purposes of these Rules, and review all actions taken by such hotel service providers in ensuring full and strict compliance with these Rules.
10. The Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka shall have the right to initiate action against any non-compliance with, or transgression of these Rules, by any hotel service provider.
11. For purposes of these Rules -

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

"Electronic Fund Transfer Card" shall mean, a card or a device that enables the user to transfer value in credit, debit or any other form and includes credit cards, debit cards and stored value cards where transaction details could be identified by the authorized dealers for the purposes of being compliant with the Directions issued under the Foreign Exchange Act, No. 12 of 2017 in respect of Electronic Fund Transfer Cards;

"Foreign exchange" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017 provided that any such payments in foreign exchange shall be made in designated foreign currency as identified under the Regulations issued under the Foreign Exchange Act, No. 12 of 2017 and the Offshore Banking Order issued under the Banking Act, No. 30 of 1988;

"hotel service provider" shall mean Tourist enterprises including hotels, villas, bungalows, guest houses, home stays or any other entity connected thereto, and Tourist services registered with and licensed by Sri Lanka Tourism Development Authority in terms of provisions of the Tourism Act, No. 38 of 2005;

"Person resident outside Sri Lanka" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"restricted dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

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

DIRECTIONS NO. 01 OF 2022 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 Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 4 of 2021 dated 18.03.2021 issued to Authorized Dealers (ADs) on PFCAs (the Directions), is hereby amended, as follows.

- I. In addition to the **Permitted Debits** specified in the **Paragraph 1.4** of the Directions, following shall be included and read as item (t) thereof.
 - (t) where account holder is a Sri Lankan employed abroad (other than an emigrant), transfers to Business Foreign Currency Accounts of the Local Educational Institutions being payment of course or tuition fees in respect of immediate family members who have been enrolled as students of such Educational Institutions.

Director-Department of Foreign Exchange
24 February 2022

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

DIRECTIONS NO. 02 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 5 of 2021 dated 18.03.2021 issued to Authorized Dealers (ADs) on BFCAs (the Directions), is hereby amended, and read as follows.

- I. In addition to the **Permitted Credits** specified in the **Paragraph 1.3.** of the Directions, following shall be included and read as **item (y)** thereof.
 - (y) in the event where account holder is a local educational institution; transfers from the Personal Foreign Currency Accounts of Sri Lankans employed abroad (other than emigrants) being receipts of course or tuition fees in respect of their immediate family members enrolled as students.

Director-Department of Foreign Exchange
24 February 2022

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

No. 2270/66 - FRIDAY, MARCH 11, 2022
(Published by Authority)

**PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, NO. 58 OF 1949**

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

Nivard Ajith Leslie Cabraal,
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Central Bank of Sri Lanka
Colombo,
11th March, 2022.

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as the "Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2022".
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of the Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lanka Rupees.
3. Every exporter of goods and/ or services shall;
 - (i) mandatorily receive the export proceeds in Sri Lanka, in respect of all goods exported and/ or services provided outside Sri Lanka, within one hundred and eighty (180) days from the date of shipment or provisioning of services, as the case may be; and,
 - (ii) immediately upon all and every receipt/s of export proceeds being received, forthwith submit all related documentary evidence on each and every receipt of export proceeds, in respect of every export of goods and/ or services to the respective Licensed Commercial Bank or a permitted Licensed Specialized Bank (hereinafter referred to as a "licensed bank"), that receives such proceeds, in Sri Lanka.
4. Every exporter of goods and/ or services, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned authorized payments, on or before the seventh (7th) day of the following month,
 - i. outward remittances for current transactions related to the particular export of goods and/ or services including one-month commitments therein;
 - ii. withdrawal in foreign currency notes or transfer of funds for travel purposes related to export of goods and/ or services;
 - iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods and/ or services, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or Banking Act, No. 30 of 1988, as amended, including one-month loan commitments;
 - iv. payments of dividends declared to non-resident investors and/ or payments of salaries to expatriate employees who are foreign nationals or dual citizens as permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017;
 - v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received and;
 - vi. payments to local suppliers permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017 for the purchases related to the particular export of goods and/ or services.
5. Such date of conversion mentioned in Rule 4 above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i. e., not later than one hundred and eighty (180) days from the date of shipment or provisioning of services).
6. Every local supplier, who receives payments in foreign currency out of the export proceeds in terms of Rule 4 (vi) above, shall mandatorily convert the residual of such receipts into Sri Lanka Rupees, upon utilizing the same only in respect of the authorized payments as stipulated in items (i) to (v) of the Rule 4 above, on or before the seventh (7th) day of the following month.
7. The Monetary Board may, at its discretion, grant exemptions to any or all of the requirements under these Rules only in respect of exporters of goods and/ or services registered as 'Strategic Development Projects' with the Board of Investment of Sri Lanka under the Strategic Development Projects Act, No. 14 of 2008, as amended, on a case-by-case basis.
8. All licensed banks shall be required to strictly and mandatorily monitor the receipts of exports proceeds in Sri Lanka, within the period stipulated in Rule 3 above and the conversion of such proceeds as required in Rules 4 and 6 above and shall at all times, maintain all necessary documentary evidence relating to, or in connection therewith.
9. All licensed banks shall submit reports and/or statements to the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka, as may be required from time to time and shall provide unencumbered access to the officers of the Central Bank of Sri Lanka, as may be authorized by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 8 above, and review all actions taken by such licensed banks in ensuring full and strict compliance with these Rules.

10. The Director of the Department Foreign Exchange of the Central Bank of Sri Lanka shall have the right to initiate action against any non-compliance with, or transgression of these Rules, by any exporter/ local supplier or licensed bank, in respect of the export of goods and/ or services, in terms of these Rules.
11. These Rules shall apply in respect of all and every export of goods and/ or services, made on or after the effective date of these Rules, and shall also apply to the export of goods and/ or services, made prior to the effective date of these Rules, where the hundred and eightieth (180th) date from the date of the shipment of such goods or provisioning of services falls on any date after these Rules come into force.
12. For the avoidance of any doubt, and for the purposes of these Rules, "Export Proceeds" shall include such proceeds required to be repatriated into Sri Lanka, under and in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021, published in the *Gazette (Extraordinary)* Notification No. 2213/37, dated 03 February 2021, as amended, proceeds of export bills purchases (bill discounting), payments received through local agents/ intermediaries for the goods and/ or services exported by local service providers/ local manufacturers and payments received in foreign exchange by a person resident in Sri Lanka for the services provided including professional, vocational, occupational or business services provided to a person resident outside Sri Lanka.
13. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialized Bank", shall have the meaning assigned to them in terms of the provisions of the Banking Act, No. 30 of 1988, as amended.
14. For the purposes of these Rules, the term "current transactions" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
15. For the purposes of these Rules, the term "withdrawal of foreign currency notes or transfer of funds for travel purposes" shall be in terms of the Directions issued to the licenced banks by the Central Bank of Sri Lanka, under the Section 9 of the Foreign Exchange Act, No.12 of 2017, in that behalf.
16. The Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2251/42, dated 28 October 2021, is hereby repealed.

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

DIRECTIONS NO. 03 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Designation of Thai Baht

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 1 of 2021, Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021, Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021, Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021 and Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the *Gazette (Extraordinary)* Notification Nos. 2213/34, 2213/35, 2213/36, 2213/37 and 2213/38, respectively, dated 03.02.2021 (the Regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers are hereby informed that,

designated foreign currencies shall also include 'Thai Baht' for the purposes of the Regulations and Directions issued under FEA.

Director-Department of Foreign Exchange
11 March 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
No. 2273/06 - MONDAY, MARCH 28, 2022
(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 as amended by the Regulations published in the Gazette Extraordinary No. 2202/7 on 17 November, 2020 and Gazette Extraordinary No 2222/37 on 07 April, 2021, are hereby further amended as follows :-
 - (a) The words “Twenty-Four months” appearing in paragraph 1 are hereby repealed and replaced by the words “Thirty-Six months”.
2. The Regulations published in the Gazette Extraordinary No. 2182/32 on 1 July, 2020 as amended by the Regulations published in the Gazette Extraordinary No. 2202/7 on 17 November, 2020 and Gazette Extraordinary No 2222/37 on 07 April, 2021, are hereby further amended as follows :-
 - (a) The words “Twenty-Four months” appearing in paragraph 1 and paragraph 2 are hereby repealed and replaced by the words “Thirty-Six months”.

BASIL RAJAPAKSA,
Minister of Finance,

Colombo,
28 March , 2022

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS NO. 04 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017
Directions issued to Authorized Dealers on the Special Deposit Accounts**

In terms of the Regulations published in the Gazette Extraordinary No. 2170/4 dated 08 April 2020, the subsequent Regulations published in the Gazette Extraordinary No. 2182/32 dated 01 July 2020, No. 2196/22 dated 06 October 2020, No. 2202/7 dated 17 November 2020, No. 2222/37 dated 07 April 2021, No. 2234/19 dated 30 June 2021 and No. 2273/06 dated 28 March 2022 (the regulations) and section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), the Directions No. 25 of 2021 are amended as follows.

2. Directions No. 25 of 2021

2.1. The word “Twenty-four” appearing in the paragraph 3 (a) and 7 (b) is hereby repealed and replaced by the word “Thirty-six”.

**Director-Department of Foreign Exchange
07 April 2022**

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

No. 2282/27 - WEDNESDAY, JUNE 01, 2022
(Published by Authority)

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

Order under section 4

By virtue of the powers vested in me by Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017, I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies, hereby repeal the “Order under Section 4” published in the Gazette (Extraordinary) Notification No. 2220/69 dated 26 March 2021.

RANIL WICKREMESINGHE,
Minister of Finance, Economic Stabilization
and National Policies.

Colombo,
31st May, 2022.

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

No. 2282/59 - FRIDAY, JUNE 03, 2022

(Published by Authority)

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

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

RANIL WICKRAMASINGHE,

**Minister of Finance, Economic Stabilization
and National Policies**

Colombo,
31st May, 2022

Regulations

1. These regulations may be cited as the Foreign Exchange (Investments in Colombo Port City) Regulations No. 1 of 2022.
2. Permission is hereby granted for any person resident outside Sri Lanka or any company incorporated in Sri Lanka which is fully owned by persons resident outside Sri Lanka or joint venture registered/incorporated in Sri Lanka (i.e. investor), to make investments in Colombo Port City out of inward remittances received from overseas being the funds to finance the investments in Colombo Port City, subject to the permission granted under the provisions of Colombo Port City Economic Commission Act, No. 11 of 2021.
3. The investor shall open "Colombo Port City Investment Account - Investor" with an authorized dealer in Sri Lanka, subject to the directions issued to authorized dealer by the Central Bank, to route the proceeds of investments in Colombo Port City and repatriate any income or capital proceeds of such investment which is payable to the nonresident investor.
4. The investee established in the Colombo Port City under the provisions of Colombo Port City Economic Commission Act, No. 11 of 2021 shall receive the investment proceeds to the credit of "Colombo Port City Investment Account - Investee" opened with an authorized dealer in Sri Lanka, subject to the directions issued to authorized dealers by the Central Bank.
5. For the purpose of these regulations –
 "authorized dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
 "joint ventures" means a company incorporated under the Companies Act, No. 7 of 2007 owned by resident and nonresident shareholders or any joint venture agreement entered into between resident and nonresident persons, for the purpose of investment in Colombo Port City.

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

No. 2282/60 - FRIDAY, JUNE 03, 2022

(Published by Authority)

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

REGULATIONS made by the Minister of Finance under Section 29 read with Sections 5,7 and 8 of the Foreign Exchange Act, No. 12 of 2017.

RANIL WICKRAMASINGHE,

**Minister of Finance, Economic Stabilization
and National Policies**

Colombo,
31st May, 2022

Regulations

The Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette Extraordinary Notification No. 2213/38 dated 03 February 2021 issued under the Foreign Exchange Act, No. 12 of 2017 (the regulations), are hereby amended as follows.

Following is inserted as sub-paragraph (3) of Paragraph 2 of the Schedule of the regulations.

- (3) “The following persons resident in Sri Lanka who earn foreign exchange from an authorized person who is permitted to engage in business in and from the Area of Authority of the Colombo Port City in accordance with the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021.
- (a) An employee of an authorized person;
 - (b) Any person who is engaged in business with an authorized person for the purpose of provisioning of goods or services”.

The Gazette of the Democratic Socialist Republic of Sri Lanka EXTRAORDINARY

No. 2284/34 - THURSDAY, JUNE 16, 2022

(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) of subsection (1) of Section 8 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies do by this Order, amend the Order issued under Section 8 of the Act as published in the Gazette Extraordinary Notification No. 2213/39 dated February 03, 2021 (the Order) as follows;

- I. The words “USD 15,000” appearing in sub-paragraph (1) of paragraph 1 and item (b) of sub-paragraph (2) of paragraph 2 of Part II of the Schedule are hereby repealed and replaced by the words “**USD 10,000**”.
- II. The followings are inserted and read as **Part III** of the Schedule to the Order.
 - (1) Notwithstanding the time period and value limits mentioned in paragraph 1 and paragraph 2 of Part II of the Schedule herein, any person in, or resident in, Sri Lanka who holds foreign currency notes which have been legally acquired and so retained in his possession, may;
 - a. deposit such foreign currency into a Personal Foreign Currency Account or to a Business Foreign Currency Account opened and maintained, as the case may be, with an authorized dealer, in the name of such person; or
 - b. sell such foreign currency to an authorized dealer.

within the amnesty period of fourteen (14) working days from the effective date of this Order and no later, upon furnishing necessary evidence relating to the lawful acquisition of such foreign currency, to the satisfaction of the respective authorized dealer.
 - (2) Any person in, or resident in, Sri Lanka, who holds foreign currency notes in his possession which have been acquired otherwise than as contemplated in clause II (1) above, shall be mandatorily required to sell such foreign currency so retained, to an authorized dealer, **within the amnesty period of fourteen (14) working days from the effective date of this Order and no later.**
 - (3) The Central Bank of Sri Lanka shall have and exercise the right to forthwith initiate actions against any violation or transgression of the Order, by all such persons who hold foreign currency notes in his possession, beyond the period of retention of foreign exchange as stipulated in the Order, in terms of the provisions of Section 11 of the Act.

RANIL WICKREMESINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
13 June 2022.

For the purpose of this Order -

“Act” means the Foreign Exchange Act, No. 12 of 2017;

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

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

“resident in Sri Lanka” shall have the same meaning in terms of the Order issued under Section 31 of the Foreign Exchange Act, No. 12 of 2017 as published in the Gazette (Extraordinary) Notification No. 2213/40 dated 03.02.2021, as amended.

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

DIRECTIONS NO. 05 OF 2022 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 the section 9 read with section 4(2) of the Foreign Exchange Act, No. 12 of 2017 (FEA), the Directions No. 11 of 2020 dated 15.12.2020 issued to Restricted Dealers (RDs) on buying, selling, and exchanging foreign currencies (the Directions), is hereby amended to read as follows.

In addition to the **General Conditions** specified in the **Paragraph 2** of the Directions, the following shall be included and read as **items (2.14), (2.15) and (2.16)** thereof.

- (2.14) Money Changer **shall not offer** higher exchange rates to customers than the exchange rates offered to the Money Changers by Authorized Dealers with whom the Money Changers maintain accounts to deposit foreign currencies.
- (2.15) Every Money Changer shall take necessary precautions and timely actions to make sure continuous and uninterrupted operations of the Closed-Circuit Television (CCTV) System.
- (2.16) Every Money Changer shall maintain CCTV recordings for a minimum period of 30 days and shall provide the same upon the request of the Director of the Department of Foreign Exchange.

Director-Department of Foreign Exchange
15 June 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2284/40 - THURSDAY, JUNE 16, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, No. 58 OF 1949

Rules made under section 10(c) read with section 68 of the Monetary Law Act, No. 58 of 1949

P. NANDALAL WEERASINGHE
**Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka,
Colombo,
16 June, 2022

ACCEPTANCE OF FOREIGN EXCHANGE WITHIN SRI LANKA BY HOTEL SERVICE PROVIDERS

The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby repeals the “Acceptance of foreign exchange within Sri Lanka by Hotel Service Providers Rules, No. 01 of 2022” published in the Gazette (Extraordinary) Notification No. 2263/41 dated 21 January 2022, with immediate effect.

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

DIRECTIONS NO. 06 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

**Directions issued to Authorized Dealers on the Colombo Port City Investment
Account – Investor (CPCIA - Investor)**

In terms of the Foreign Exchange (Investments in Colombo Port City) Regulations No. 1 of 2022 published in the Gazette (Extraordinary) Notification No.2282/59 dated 03 June 2022 and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are permitted to open and maintain Colombo Port City Investment Account- Investor (CPCIA- Investor) subject to the following.

2. Eligible Persons

Any person resident outside Sri Lanka or any company incorporated in Sri Lanka which is fully owned by persons resident outside Sri Lanka or joint venture for the purpose of making investments in the Colombo Port City.

3. Opening and Maintaining the Accounts

CPCIA-Investor may be opened and maintained in the form of savings accounts in any designated foreign currency.

4. Permitted Credits

- (a) Any inward remittances being funds for financing the investments in the Colombo Port City which have been permitted under the provisions of the Colombo Port City Economic Commission Act, No 11 of 2021.
- (b) Any income or capital proceeds payable to the non-resident investor on the investments in the Colombo Port City.
- (c) Interest earned on the funds held in the account.

5. Permitted Debits

- (a) Transfers to Colombo Port City Investment Account - Investee on the investments in the Colombo Port City.
- (b) Local disbursements in Sri Lanka Rupees
- (c) Any transfer as permitted by the Colombo Port City Economic Commission.

6. Other Conditions

- (a) When proceeding any permitted credit, under no circumstance funds shall be credited to CPCIA- Investor by conversion of Sri Lanka Rupees.
- (b) ADs shall obtain adequate documentary evidence, at the time of opening CPCIA- Investor to determine the applicant's eligibility in terms of the requirement of the account.
- (c) ADs shall exercise due diligence in exercising the transactions permitted in foreign exchange through CPCIA- Investor in terms of these Directions.
- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through CPCIA- Investor, up to a period of 6 years period from the closure of CPCIA- Investor or such other period as may be specified in any other written law applicable to for such ADs, as the case may be.

7. Reporting Requirement

- (a) ADs are required to submit the information on opening and maintaining of CPCIA- Investor under these Directions in a format as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department.
- (b) ADs are required to implement a system within the bank to generate or extract the relevant information from banks' books of accounts, as per the above reporting requirement.

8. Closure of the CPCIA-Investor

- (a) ADs shall close the CPCIA-Investor with approval of the Colombo Port City Economic Commission.
- (b) ADs shall inform such closure to the D/DFE via an email (including details on Name of accountholder, account No, reasons to closure) to dfem@cbsl.lk within one week from the date of the closure.

9. For the Purpose of these Directions

"designated foreign currency" shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.

“joint ventures” means a company incorporated under the Companies Act No 7 of 2007 owned by resident and nonresident shareholders or any joint venture agreement entered into between resident and nonresident persons, for the purpose of investment in Colombo Port City.

Director-Department of Foreign Exchange
28 June 2022

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS NO. 07 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017
Directions issued to Authorized Dealers on the Colombo Port City Investment
Account – Investee (CPCIA - Investee)

In terms of the Foreign Exchange (Investments in Colombo Port City) Regulations No. 1 of 2022 published in the Gazette (Extraordinary) Notification No.2282/59 dated 03 June, 2022 and Section 9 read with Section 7 and 6 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are permitted to open and maintain Colombo Port City Investment Account- Investee (CPCIA- Investee) to facilitate the investments in the Colombo Port City, subject to the following.

2. Eligible Persons

An authorized person under the provisions of Colombo Port City Economic Commission Act No. 11 of 2021.

3. Opening and Maintaining the Accounts

- (a) The CPCIA-Investee may be opened and maintained in the form of savings accounts in any designated foreign currency.
- (b) Eligible persons shall open CPCIA – Investee as a sole account.

4. Permitted Credits

- (a) Transfers from the Colombo Port City Investment Account – Investor.
- (b) Income earned or other receivable, in foreign currency of the accountholder.
- (c) Interest earned on the funds held in the account.

5. Permitted Debits

- (a) Local disbursements in Sri Lanka Rupees.
- (b) Transfers to the Colombo Port City Investment Account – Investor, being any income or capital proceeds payable to the non-resident investor on the investment made.
- (c) Any transfer/payment on transaction as permitted by the Colombo Port City Economic Commission.

6. Other Conditions

- (a) When proceeding any permitted credit, under no circumstances shall funds be credited to CPCIA- Investee by conversion of rupees.
- (b) ADs shall obtain adequate documentary evidence at the time of opening CPCIA- Investee to determine the applicant’s eligibility in terms of the requirement of the account.
- (c) ADs shall exercise due diligence in exercising the transactions permitted in foreign exchange through CPCIA- Investee in terms of these Directions.
- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through this CPCIA- Investee, up to a period of 6 years from the closure of CPCIA- Investee or such other period as may be specified in any other written law applicable to for such ADs, as the case may be.

7. Reporting Requirement

- (a) ADs are required to submit the information on opening and maintaining of CPCIA- Investee under these Directions in a format as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department.
- (b) ADs are required to implement a system within the bank to generate or extract the relevant information from banks’ books of accounts, as per the above reporting requirement.

8. Closure of the CPCIA-Investor

- (a) ADs shall close the CPCIA-Investee with the permission of the Colombo Port City Economic Commission.
- (b) ADs shall inform such closure to the D/DFE via an email (including details on Name of accountholder, account number, reasons for closure) to dfem@cbsl.lk within one week from the date of the closure.

9. For the Purpose of these Directions

- (a) **“designated foreign currency”** shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.

Director-Department of Foreign Exchange**28 June 2022****The Gazette of the Democratic Socialist Republic of Sri Lanka****EXTRAORDINARY**

NO. 2286/27- THURSDAY, JUNE 30, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL**Central Bank of Sri Lanka Notices****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, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies, do by this Order,

- i. Suspend the repatriation of funds under the migration allowance out of funds received as monetary gifts by an emigrant from an immediate family member, being funds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets), under the general permission granted in the Part I of the Schedule of the Regulations No. 3 of 2021 published in the *Extraordinary Gazette Notifications* No. 2213/36 dated 03 February 2021 (herein after referred to as “Regulations No. 3 of 2021”).
- ii. 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 Regulations No. 3 of 2021, by the date of this Order, up to a maximum of USD 10,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- iii. Limit the eligible migration allowance for the emigrants who are claiming the migration allowance for the first time under the general permission stated in the Regulations No. 3 of 2021, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- iv. Limit the repatriation of any current income or accumulated current income (including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits) by the emigrants through the Capital Transaction Rupee Accounts or Emigrant’s Remittable Income Accounts, under the general permission granted in the Regulations No. 3 of 2021, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- v. Limit the outward remittances or issuance of foreign exchange for any Sri Lankan individual who resides in or outside Sri Lanka and has obtained Temporary Residence Visa of another country, up to a maximum of USD 20,000 or equivalent in any other designated foreign currency per person, under the general permission granted in the Regulations No. 3 of 2021.
- vi. Limit the issuance of foreign exchange for any person resident in Sri Lanka who intends to leave Sri Lanka under the Temporary Residence Visa of another country up to a maximum of USD 10,000 or equivalent in any other designated foreign currency per person, under the general permission granted in the Schedule of the Regulations No. 4 of 2021 published in the *Extraordinary Gazette Notifications* No. 2213/37 dated 03 February 2021.
- vii. 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 of the Regulations No. 1 of 2021 published in the *Extraordinary Gazette Notifications* No. 2213/34 dated 03 February 2021, (herein after referred to as “Regulations No. 1 of 2021”) 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 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 15,000 or equivalent in any other designated foreign currency, for the purpose of working capital requirements of the investee, or
- d. the remittances 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, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency;

provided that, the Head of Department of Foreign Exchange is satisfied with the fulfillment of such requirement.

- viii. Suspend making outward remittances by a company incorporated under the Companies Act, No. 7 of 2007, being a subsidiary or branch office of a company incorporated overseas, on behalf of its employees for the purpose of contributing to an Employee Share Ownership Plan or Employee Share Option Scheme, under general permission granted in the paragraph 6 of the Part I of Schedule of the Regulations No. 1 of 2021.
- ix. Limit the outward remittances on capital transactions through Business Foreign Currency Accounts or/and Personal Foreign Currency Accounts held by a person resident in Sri Lanka, up to a maximum of USD 20,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- x. The Monetary Board shall have the authority to grant permission in terms of the Section 7(10) of the Act for the investments on case-by-case basis which exceeds the limits specified in the general permission granted in the Regulations No. 1 of 2021 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 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.

RANIL WICKRAMASINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
29 June, 2022.

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

DIRECTIONS NO. 08 OF 2022 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 Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No.2282/60 dated 03.06.2022 and Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 4 of 2021 dated 18.03.2021 issued to Authorized Dealers (ADs) on PFCAs (the Directions), is hereby amended, as follows.

- I. In addition to the **Permitted Credits** specified in the **Paragraph 1.3** of the Directions, following shall be included and read as **item (v)** thereof.

- (v) Earnings/ Payments in foreign exchange received by the account holder from a foreign currency account of an authorized person who is permitted to engage in business in and from the area of authority of the Colombo Port City in accordance with the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021.

Director-Department of Foreign Exchange
30 June 2022

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 09 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No. 2282/60 dated 03.06.2022 (the regulations) and Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 5 of 2021 dated 18.03.2021 issued to Authorized Dealers (ADs) on BFCAs (the Directions), is hereby amended, and read as follows.

- I. In addition to the **Permitted Credits** specified in the **Paragraph 1.3.** of the Directions, the following shall be included and read as **item (z)** thereof.
- (z) Earnings/ Payments in foreign exchange received by the account holder who is an eligible person to open and maintain BFCAs in terms of the sub-paragraph (3) of Paragraph 2. of the Schedule of the regulations from a foreign currency account of an authorized person who is permitted to engage in business in and from the area of authority of the Colombo Port City in accordance with the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021.

Director
Department of Foreign Exchange
30 June 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

NO. 2287/16 - TUESDAY, JULY 05, 2022
(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) of Subsection (1) of Section 8 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies do by this Order, further amend the Order issued under Section 8 of the Act as published in the Gazette Extraordinary Notification No. 2213/39 dated February 03, 2021, as amended by the Order issued under section 8 of the Act, published in the Gazette Extraordinary Notification No. 2284/34 dated June 16, 2022 as follows;

The amnesty period of fourteen (14) working days granted under paragraph (1) and (2) of Part III of the Schedule of the Order shall be extended for a further period of fourteen (14) working days from the expiration of the period of fourteen (14) working days granted under the Gazette Extraordinary Notification No. 2284/34 dated June 16, 2022, and no later.

RANIL WICKRAMASINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
05 July 2022.

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

NO. 2292/50 - FRIDAY, AUGUST 12, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL**Central Bank of Sri Lanka Notices****MONETARY LAW ACT, NO. 58 OF 1949****RULES made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949**

P. NANDALAL WEERASINGHE

**Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.**Central Bank of Sri Lanka
Colombo 01,
12 August, 2022**REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA**

1. These Rules shall be cited as “Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2022”.
2. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2022 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the Gazette (Extraordinary) Notification No. 2270/66 dated 11th March 2022, are hereby amended by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rule.

“4. Every exporter of goods, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned authorized payments, on or before the seventh (7th) day of the following month,

- i. outward remittances for current transactions related to the particular export of goods including one-month commitments therein;
- ii. withdrawal in foreign currency notes or transfer of funds for travel purposes related to export of goods;
- iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or Banking Act, No. 30 of 1988, as amended, including one-month loan commitments;
- iv. payments of dividends declared to non-resident investors and/ or payments of salaries to expatriate employees who are foreign nationals or dual citizens as permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017;
- v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received; and
- vi. payments to local suppliers who are permitted to receive payments in foreign currency in terms of the Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 for the purchases related to the particular export of goods.

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

NO. 2293/07 - MONDAY, AUGUST 15, 2022

(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) of subsection (1) of Section 8 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies do by this Order,

amend the Order issued under Section 8 of the Act as published in the Gazette Extraordinary Notification No. 2213/39 dated February 03, 2021 (the Order) by inserting the followings as Part III of the Schedule to the Order.

- (1) Notwithstanding the time period and value limits mentioned in paragraph 1 and paragraph 2 of Part II of the Schedule herein, any person in, or resident in, Sri Lanka who holds foreign currency notes which have been legally acquired and so retained in his possession, may;
 - a. deposit such foreign currency into a Personal Foreign Currency Account or to a Business Foreign Currency Account opened and maintained, as the case may be, with an authorized dealer, in the name of such person; or
 - b. sell such foreign currency to an authorized dealer.

within the amnesty period of one (1) month from the effective date of this Order and no later, upon furnishing necessary evidence relating to the lawful acquisition of such foreign currency, to the satisfaction of the respective authorized dealer.
- (2) Any person in, or resident in, Sri Lanka, who holds foreign currency notes in his possession which have been acquired otherwise than as contemplated in clause II (1) above, shall be mandatorily required to sell such foreign currency so retained, to an authorized dealer, **within the amnesty period of one (1) month from the effective date of this Order and no later.**
- (3) The Central Bank of Sri Lanka shall have and exercise the right to forthwith initiate actions against any violation or transgression of the Order, by all such persons who hold foreign currency notes in his possession, beyond the period of retention of foreign exchange as stipulated in the Order, in terms of the provisions of Section 11 of the Act.

RANIL WICKREMESINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
15 August 2022.

For the purpose of this Order -

“Act” means the Foreign Exchange Act, No. 12 of 2017;

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

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

“resident in Sri Lanka” shall have the same meaning in terms of the Order issued under Section 31 of the Foreign Exchange Act, No. 12 of 2017 as published in the Gazette (Extraordinary) Notification No. 2213/40 dated 03.02.2021, as amended.

DEPARTMENT OF FOREIGN EXCHANGE CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 10 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on Designation of Indian Rupees (INR)

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 1 of 2021, Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021, Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021, Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021 and Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021, published in the Gazette (Extraordinary) Notification Nos. 2213/34, 2213/35, 2213/36, 2213/37 and 2213/38, respectively, dated 03.02.2021, any amendments thereto (the Regulations), and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers are hereby informed that, **designated foreign currencies** shall also include ‘**Indian Rupees (INR)**’ for the purposes of the Regulations and Directions issued under the FEA.

Additional Director
Department of Foreign Exchange
26 August 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

NO.2296/12 - THURSDAY, SEPTEMBER 08, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

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 Regulations published in the *Gazette Extraordinary* No. 2234/19, dated 30 June, 2021, are hereby amended as follows;

- (a) The words “Twenty – Four months” appearing in the Regulations are hereby repealed and replaced by the words “Thirty – Six months”.

RANIL WICKRAMASINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
08 September, 2022

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

DIRECTIONS NO. 11 OF 2022 UNDER THE FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorized Dealers on the Golden Paradise Visa Programme - Special Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and section 9 read with sections 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are hereby permitted to open and maintain **Golden Paradise Foreign Currency Accounts** (GPFCAs) in the names of foreign nationals who wish to stay in Sri Lanka on 10 years resident visas under the ‘**Golden Paradise Visa Programme**’ implemented by the Department of Immigration and Emigration (Implementing Agency), subject to the following.

2. Opening and Maintaining the Accounts

- (a) Applicants shall open GPFCAs upon submission of written requests made by the Controller General of Immigration and Emigration (CGIE) with a minimum initial deposit of **USD 200,000** or its equivalent in any other designated foreign currency.
- (b) GPFCAs shall be maintained as savings or term deposit accounts in any designated foreign currency in the domestic banking units.
- (c) Applicants may withdraw up to 50% of the initial deposit amount so referred to in paragraph 2 (a) of these Directions for the purposes of local expenditure and for remittances in respect of current transactions, only after completion of the first year from the date of issuance of visas under the Golden Paradise visa programme.
- (d) Any balance funds upon withdrawals as referred to in paragraph 2 (c) above shall be held as a deposit in the GPFCA throughout the validity period of the visas under this programme.

3. Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka through the banking channel in favour of the account holder.
- (b) Foreign exchange brought into Sri Lanka by the account holder upon declaration.
- (c) Interest earned in foreign currency on the funds held in the account.

4. Permitted Debits

- (a) Remittances for payments in respect of current transactions of the account holder, spouse and dependents accompanying the account holder, who are residing in Sri Lanka under the Golden Paradise visa programme, subject to the paragraphs 2(c) and 2(d) above.

- (b) Disbursements in Sri Lanka in Sri Lanka Rupees subject to the paragraphs 2(c) and 2(d) above.
- (c) Repatriation of funds to an account maintained outside Sri Lanka in the name of the account holder, upon lapse of the 10-year resident visas under the Golden Paradise visa programme or as per a written request made by the CGIE upon cancellation of the resident visas, under the subject programme.

5. Other Conditions

- (a) ADs shall ensure that transactions/ transfers under the permitted debits specified in paragraphs 4(a) to 4(c) are carried out by the account holder subject to the requirements specified in paragraphs 2(c) and 2(d) of these Directions.

6. Monthly Returns

- (a) ADs are required to submit the information on the accounts opened under these Directions in a format prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department on or before the 15th day of the following month, by email to dfem@cbsl.lk.
 - (b) ADs are required to implement a system within the bank to generate or extract the relevant information from their books of accounts, as per the above reporting requirement.
7. ADs shall require prior permission of the D/DFE with the concurrence of the Implementing Agency of the scheme, for any transaction/transfer to/from GPFCAs for any purpose which falls outside the purview of these Directions.

8. For the purpose of these Directions

- (a) **"Remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
 - (b) **"Declaration"** shall refer to the declaration to the Department of Customs where foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to an AD where such foreign exchange is less than or equal to USD 15,000 or its equivalent in other foreign currencies;
 - (c) **"Current transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
9. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Director

Department of Foreign Exchange

03 November 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

NO. 2308/51 - FRIDAY, DECEMBER 02, 2022

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

FOREIGN EXCHANGE ACT, NO. 12 OF 2017

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

RANIL WICKRAMASINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
02 December, 2022

Regulations

- 1. These regulations may be cited as the Foreign Exchange (Short Term Foreign Currency Loans from a Company Incorporated Outside Sri Lanka) Regulations No. 2 of 2022.

2. Permission is hereby granted for companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, which import raw materials for manufacturing of their products which have a domestic value addition of at least 30% (borrower), to obtain foreign currency loans with a tenure of less than three (3) years including a minimum grace period of one (1) year, from the parent company or a company within the same group of companies incorporated outside Sri Lanka (lender), for the purpose of financing the payments of such imports, subject to the following terms and conditions, and in accordance with the directions issued by the Central Bank of Sri Lanka under the provisions of the Act.
 - i. The borrower shall obtain a recommendation from the Secretary, Ministry of Industries that the final product manufactured by the company using such raw materials to be imported, has a domestic value addition of at least 30%.
 - ii. The borrower shall open and maintain a "Special Foreign Currency Account - Short Term Loans", to receive the proceeds of such loan and to service and repay the loan, subject to the directions issued by the Central Bank.
 - iii. The rate of interest of such loan shall be at a reasonably concessional rate comparative to the prevailing market interest rates in Sri Lanka.
 - iv. Repayments of the loan (including interest) shall be amortized over the rest of the tenure after the grace period.
 - v. Payments for import of raw materials shall be in accordance with the prevailing trade laws of the country.

These regulations are valid for a period of one (1) year from the date of these regulations.

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

DIRECTIONS NO. 12 OF 2022 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

**Directions issued to Authorized Dealers on Special Foreign Currency Account – Short Term Foreign
Currency Loans from Overseas (SFCA – Short Term Loans)**

In terms of the Foreign Exchange (Short Term Foreign Currency Loans from a Company Incorporated Outside Sri Lanka) Regulations No. 2 of 2022 published in the Gazette (Extraordinary) Notification No. 2308/51 dated 02.12.2022 (the regulations) and section 9 read with sections 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are hereby permitted to open and maintain **SFCA - Short Term Loans**, in order to facilitate payments for import of raw materials for manufacturing of products, by the companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (i.e., borrower), out of the proceeds of the foreign currency (FCY) loans obtained for a tenure of less than 3 years including a minimum grace period of 1 year (i.e., short-term), from the Parent Company or a Company within the same Group of Companies, incorporated outside Sri Lanka (i.e., lender), subject to the following.

2. Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, which import raw materials for manufacturing of their products, subject to the recommendation obtained from the Secretary, Ministry of Industries that the final product manufactured by the company using imported raw materials has a domestic value addition of at least 30%, with a letter of authorization obtained from the Controller General of Imports and Exports, where necessary.

3. Opening and Maintaining the Accounts

- (a) The SFCA – Short Term Loans may be opened and maintained as a sole account in the form of current (without overdraft facility and cheque drawing facility) or saving accounts in any designated foreign currency, out of the proceeds of the short term FCY loan received.
- (b) Eligible persons shall open an SFCA – Short Term Loans in respect of receiving the proceeds of the short-term loan from each lender, and all repayments including interest payments of such loans shall be made through the same SFCA – Short Term Loans.
- (c) Opening of SFCA – Short Term Loans under these Directions shall be valid only within the period of one (1) year as permitted in the regulations and the same account shall be maintained until completion of servicing/ repayment of the said loan.

4. Permitted Credits

- (a) Remittances/transfers of proceeds of the loan obtained by the accountholder from the lender, from an account maintained outside Sri Lanka or an Inward Investment Account (IIA) or an account maintained in the Off-shore Banking Unit (OBU), of such lender.

- (b) Transfers from a Sri Lankan Rupee account of the accountholder, for the purpose of servicing the loan.
- (c) Transfers from another SFCA – Short Term Loans of the same accountholder for the purpose of making payments in respect of paragraph 5 (a) of these Directions.
- (d) Interest earned on the funds held in the account, if any.

5. Permitted Debits

- (a) Outward remittances in respect of payments for imports of raw materials required for manufacturing of products.
- (b) Remittance/transfers of funds to an account maintained outside Sri Lanka or an IIA or an account maintained in the OBU, of the lender, for the purpose of servicing and repayment of the loan obtained under the regulations, in terms of the loan agreement.
- (c) Bank charges, fees, commissions, etc. payable with respect to the short-term loan.
- (d) Transfers to another SFCA – Short Term Loans of the same accountholder for the purpose of making payments in respect of paragraph 5 (a) of these Directions.

6. Other Conditions

- (a) ADs shall obtain adequate documentary evidence to establish the eligibility of the accountholder and the bona-fide of transactions made through the SFCA – Short Term Loans and ensure compliance with the regulations and these Directions.
- (b) ADs shall ensure that inward remittances which are subject to other regulatory requirements such as export proceeds or other inward remittances subject to any other statutory requirements are not qualified to be credited to an SFCA – Short Term Loans.
- (c) ADs shall exercise all due diligence in executing the transactions in foreign exchange through the SFCA – Short Term Loans, including efficient monitoring of the utilization of the loans as per the regulations in respect of payments for import of goods as raw materials only for manufacturing, value addition and re-export purposes; subject to the trade and tax laws (i.e., import payment term regulations, transfer pricing regulations etc.) of the country.
- (d) ADs may enter into appropriate derivative instruments (in compliance with the relevant Directions issued under the provisions of the Banking Act No. 30 of 1988, as amended) upon the request of the borrower in order to mitigate probable exchange rate risks that may arise from the transactions permitted under these Directions.
- (e) ADs shall maintain the documentary evidence (either in hard copy or in electronic/digital form), in respect of all transactions made through the SFCA – Short Term Loans during the maintenance of the account and up to the statutory record keeping requirements after the closure of such account.

7. Reporting Requirement

- (a) ADs are required to submit the information on opening and maintaining the SFCA – Short Term Loans under these Directions in a format, as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department on or before the 15th day of the following month, by email to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract all the required information from the books of accounts of their respective banks, as per the above reporting requirement.

8. Closure of the Account

- (a) ADs shall close the SFCA – Short Term Loans, in the event the borrower has fully settled the respective loan.
- (b) In the event the borrower requests for a closure of the SFCA – Short Term Loans before the full settlement of the respective loan, for the purpose of continuing the future repayments via an SFCA – Short Term Loans to be opened with another AD, the AD with whom the original SFCA – Short Term Loans is held, may close the account only after forwarding the relevant information/ documents (i.e., confirmation on the details of the receipt of the loan, all documentary evidences collected etc.) for the satisfaction of the AD that wishes to open the new SFCA – Short Term Loans.
- (c) ADs shall inform such closure to the D/DFE via an email to dfem@cbsl.lk within one week from the date of closure.

9. ADs shall require prior permission of the D/DFE, for any transaction or transfer to/from SFCA – Short Term Loans for any purpose which falls outside the purview of these Directions.

10. For the purpose of these Directions;

- a. "Designated Foreign Currency" shall include United States Dollar (USD), Euro, Sterling Pound, Australian Dollar, Singapore Dollars, Swedish Kroner, Swiss Franc, Canadian Dollar, Hong Kong Dollar, Japanese Yen, Danish Kroner, Norwegian Kroner, Chinese Renminbi, New Zealand Dollars Thai Baht and Indian Rupees;
- b. "Remittances" shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.

11. Nothing required by these Directions, shall be construed as exempting or absolving ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Director

Department of Foreign Exchange

09 December 2022

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No.2311/38 - THURSDAY, DECEMBER 22, 2022

(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, Ranil Wickremesinghe, Minister of Finance, Economic Stabilization and National Policies 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. 2286/27 dated 30th June 2022, for a further six months from 30th December 2022.

RANIL WICKRAMASINGHE,
Minister of Finance, Economic Stabilization
and National Policies

Ministry of Finance
Colombo 01,
22 December 2022

Operating Instructions No: 01 of 2022

02 February 2022

To: All Dealer Direct Participants

**OPERATING INSTRUCTIONS PERTAINING TO THE PROVISION OF THE INTRA-DAY LIQUIDITY FACILITY
(ILF) AGAINST SCRIPLESS GOVERNMENT SECURITIES ON LANKASETTLE SYSTEM**

You are hereby informed that the Domestic Operations Department Circular No. 35/01/005/0006/36 issued with effect from 12 April 2018 on the above is revoked and reissued with amendments to the 'participants' who are eligible to use ILF provided by the Central Bank of Sri Lanka.

Accordingly, Operating Instructions No. 01 of 2022 shall come into effect from 02 February 2022 and all Dealer Direct Participants are required to comply with the same.

Dr. P K G Harischandra
Director / Domestic Operations

Operating Instructions No: 01 of 2022

01 February 2022

To: All Dealer Direct Participants**OPERATING INSTRUCTIONS PERTAINING TO THE PROVISION OF THE INTRA-DAY LIQUIDITY FACILITY (ILF) AGAINST SCRIPLESS GOVERNMENT SECURITIES ON LANKASETTLE SYSTEM**

These Operating instructions (OI) shall come into effect on 02 February 2022 and may be amended or varied by the Central Bank of Sri Lanka (CBSL) from time to time with reasonable notice to the Dealer Direct Participants (DDPs). OI pertaining to the provision of the ILF by the CBSL against eligible collateral are outlined below.

As provided for in the LankaSettle System Rules, the CBSL may, at its discretion, provide funds under the Intra-day Liquidity Facility (ILF) to DDPs of the LankaSettle System with a view to facilitating the smooth operation of the Real Time Gross Settlement (RTGS) System.

1. Ordinarily, all DDPs on LankaSettle, other than Designated Non-Dealer Bidders, are eligible for using the ILF. For the purposes of these OI;
 - i. LankaSettle System Rules (hereinafter referred to as the System Rules) are the rules issued by the CBSL for the operations of the LankaSettle System in terms of the Monetary Law Act, which may be amended from time to time.
 - ii. DDPs are the participants as defined under the general provisions of the System Rules. In order to become eligible for using the ILF, DDP shall sign an ILF Agreement in a prescribed form with the CBSL as required in rule 7.1 of volume 2 of the System Rules; and
 - iii. Eligible securities shall have the same meaning as defined in section 7.2 of volume 2 of the System Rules.
2. No encumbered security or a security owned by a third party shall be used by a DDP as collateral to avail the ILF. In the event a DDP was found to have used such security, the payments applicable to such use as specified in section 11.3 of volume 3 of the System Rules will be imposed.
3. Funds under the ILF are provided free of interest upon the DDP transferring eligible securities to the CBSL in accordance with these OI on the condition that the said securities shall be repurchased by the DDP by repaying the outstanding amount obtained under the ILF on or before the time specified for repayment of such amount in the daily operating schedule in the System Rules.
4. Substitution of securities provided as collateral for the ILF shall not be permitted.

Procedure to drawdown funds under the ILF

5. The CBSL will provide funds under the ILF only to the extent of the value of the Eligible Securities available in the ILF account of the DDP at a given time. The value of Eligible Securities, calculated based on the Official Prices determined by the CBSL for such purpose, will be credited to each DDP's Settlement Account in the RTGS.
6. Eligible Securities available in the ILF account of the DDP at the end of the previous business day will be automatically transferred to the CBSL's ILF account at the time of opening of the System for business.
7. DDPs may carry out multiple ILF drawdowns and repayments at their discretion within a business day, as and when an Intra-day liquidity requirement arises, by initiating a request through the System. DDP, who wishes to obtain funds under the ILF, shall reposition a sufficient quantity of Eligible Securities in its ILF account in the LankaSecure in order to avail the ILF.

Official Prices of Securities

8. The Official Prices of Eligible Securities shall be determined by the CBSL on a daily basis, based on the latest available current market prices and market developments. A haircut is applied in arriving at the Official Prices, depending on the type of the security and tenor. Such Official Prices are recorded in the LankaSecure System and in the Online Electronic Bidding System (OEBS) used for Open Market Operations (OMO).

Settlement of funds obtained under the ILF at the end of the business day

9. DDPs may return the funds borrowed under the ILF fully or partially and regain whole or part of the securities used as collateral before the time specified for repayment of funds borrowed under the ILF in the daily operating schedule issued in terms of the System Rules.
10. All outstanding ILF balances should be settled by the DDPs before the close of business as specified in the daily operating schedule, issued in terms of the System Rules. For this purpose, DDPs must ensure that sufficient funds are available in their Settlement Accounts in the RTGS at the time of reversal of ILF balances to enable the CBSL to recover any outstanding ILF balances.

11. The process of recovery of outstanding ILF balances is initiated through the system at the time specified for the same in the daily operating schedule issued in terms of the System Rules. A settlement request will be submitted to RTGS on Delivery vs Payment (DVP) terms, which will transfer securities from the CBSL's ILF Account to the ILF Account of the DDP, subject to availability of funds in the respective RTGS account. The reversal of ILF balances will be done at the original price and the original transaction value.

Default of funds borrowed under the ILF

12. If a DDP fails, for any reason whatsoever, to settle in full to the CBSL, the amount outstanding under the ILF at the time specified in clause 10 above, the DDP shall be deemed to be in default for the full sum so outstanding and shall become liable to pay default interest as set out in clause 16 below. Such default interest shall be debited to the DDP's Settlement account with the CBSL on the next business day.
13. Where a DDP is deemed to be in default as set out above, such DDP should repay in full, the amount in default and the default interest before the close of business on the next business day.
14. The system will revalue the securities in the custody of the CBSL and generate the reversal payment amount on the next business day based on the official prices relevant for the next business day. If the revalued amount is higher than the total amount of default and default interest, the CBSL will repay the excess amount to the credit of the DDP's settlement account in the RTGS. If the revalued amount is lower than the total amount of default and the default interest, the CBSL will charge the difference by debiting the DDP's settlement account in the RTGS.
15. The DDP should ensure the availability of sufficient funds in its Settlement Account in the RTGS for the repayment of the revalued amount in default and the default interest on or before the close of business on the next business day. In the event the DDP fails to settle the amount set out above before the end of business on the next business day, the CBSL shall retain the securities against which such funds were provided and deal with them as the CBSL deems fit.
16. On the first occasion of default of ILF, a DDP shall be charged default interest at a rate of 5 per cent per month or part thereof. On each succeeding occasion of default during a calendar year, such default interest rate shall be increased by 100 basis points, provided that where such default occurs more than once within a 30 day period from the preceding default, the CBSL shall have the right to retain the securities against which ILF was granted and to deal with them as the CBSL deems fit, in addition to the right to charge default interest as stipulated in this clause. In the event of repeated default, the CBSL may withdraw the availability of the ILF to the DDP for a period of time determined by the CBSL.
17. Notwithstanding the other provisions of the ILF agreement or Operating Instructions and notwithstanding the fact that default has not occurred more than once within the preceding 30-day period, the CBSL may, at its sole discretion, taking into consideration the circumstances of a default, decide to retain the securities, and to deal with them as the CBSL deems fit.
18. As set out in clause 2 above, if a DDP is found to have used third party securities for availing of ILF, such DDP will be considered to have violated both the System Rules and these OI. Following payments specified in the said rules shall be imposed for such violations.

Table 1: Payments for violation of rules relating to the ILF

Amount borrowed against third party securities (Rs. million)	Rates charged per day (%)
Up to 1,000	2.0
Above 1,000	2.5

19. Notwithstanding the other provisions of these OI, the CBSL may at its sole discretion, taking into consideration the circumstances of a default or use of third-party securities, withdraw the availability of the ILF to a DDP permanently or for a period of time determined by the CBSL.
20. Operating Instructions issued in terms of circular captioned 'Operating Instructions on provision of Intra-Day Liquidity Facility (ILF) Against Scripless Government Securities on LankaSettle' bearing no. 35/01/005/0006/36, dated 12 April 2018, are hereby rescinded.
21. In the event of any discrepancy between these operating instructions and the ILF agreement, the ILF agreement prevails.

Dr. P K G Harischandra
Director / Domestic Operations

Circular No. 01 of 2022

19 May 2022

To: All Licensed Commercial Banks

ORDER MADE BY THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA IN TERMS OF THE PROVISIONS OF SECTION 103 OF THE MONETARY LAW ACT, NO. 58 OF 1949 ON MAINTAINING A CASH MARGIN DEPOSIT REQUIREMENT AGAINST LETTERS OF CREDIT

1. Licensed Commercial Banks (LCBs) are hereby directed that with immediate effect, Letters of Credit (LCs) shall not be opened by LCBs for the importation of goods specified in the Schedule attached hereto, unless such LCs are covered by a non-interest-bearing cash margin deposit requirement of 100 per cent maintained at the respective LCBs at the time of opening the LC.
2. LCBs are further directed that the following conditions shall also be applicable for the importation of goods covered by this Order.
 - a) The cash margin deposit requirements shall be on the total value of the invoice, notwithstanding the fact that the same invoice includes goods which are not covered by this Order.
 - b) In the case of existing LCs covering the importation of goods covered by this Order, no increase in the value of such LCs shall be permitted by LCBs unless such increase is covered by the cash margin deposits as required in (1) above.
 - c) LCBs shall not grant any advances to their customers for the purpose of enabling such customers to meet the cash margin deposit requirement imposed by this Order.
 - d) LCBs shall endorse the relevant invoice certifying whether the cash margin deposit as per this Order has been maintained.
 - e) The margin deposit shall be released on the production of documentary evidence on payments through the banking channels in Sri Lanka and the Customs documents relating to clearance of imports.
3. The provisions of this Order shall have effect in addition to any requirement in force for the time being and such other requirements that may be introduced in terms of any law in respect of importation of goods.

Dr. R A Anil Perera
Director/ Domestic Operations

Annex 1: List of HS Codes subjected to Margin Requirement

No.	HS code	No.	HS code	No.	HS code	No.	HS code
1	030441	20	08023190	39	081400	58	180620
2	030449	21	08028090	40	090121	59	180631
3	030451	22	08041010	41	090122	60	180632
4	030461	23	08041020	42	09022019	61	180690
5	030462	24	08051010	43	09022093	62	190211
6	030469	25	08052110	44	09022099	63	190219
7	030474	26	080610	45	100490	64	190220
8	04029990	27	080620	46	110412	65	190230
9	040310	28	080810	47	110419	66	190240
10	040390	29	080830	48	110422	67	190410
11	040510	30	080940	49	110423	68	190420
12	040620	31	081050	50	110429	69	200799
13	040630	32	08109090	51	110430	70	200811
14	040690	33	081120	52	110510	71	20081910
15	060311	34	081190	53	110520	72	20081920
16	060490	35	081320	54	110710	73	20081990
17	08011190	36	081330	55	110720	74	20083090
18	08011990	37	08134090	56	110814	75	200860
19	08021190	38	081350	57	110900	76	200870

No.	HS code	No.	HS code	No.	HS code	No.	HS code
77	200897	121	24031990	165	40169510	209	570292
78	20089910	122	24039190	166	40169590	210	570299
79	20089990	123	24039990	167	40169990	211	570320
80	20091110	124	33030010	168	420100	212	570330
81	20091190	125	33030021	169	420211	213	57039090
82	200912	126	33030022	170	420212	214	57049090
83	200949	127	33030029	171	420219	215	570500
84	200969	128	330410	172	420221	216	610120
85	200971	129	330420	173	420222	217	610130
86	200979	130	330430	174	420229	218	610190
87	200981	131	330491	175	420231	219	610210
88	20098990	132	330499	176	420232	220	610220
89	200990	133	330510	177	420239	221	610230
90	220210	134	330520	178	420291	222	610290
91	220291	135	330530	179	420292	223	610310
92	22029910	136	330590	180	420299	224	610322
93	22029930	137	330610	181	420310	225	610323
94	22029940	138	330690	182	420321	226	610329
95	22029951	139	330710	183	420329	227	610331
96	22029959	140	330720	184	420330	228	610332
97	22029961	141	330730	185	420340	229	610333
98	22029969	142	330749	186	42050010	230	610339
99	22029970	143	33079090	187	42050090	231	610341
100	22029991	144	34011920	188	430400	232	610342
101	22029999	145	34012010	189	441911	233	610343
102	22030010	146	34013020	190	441990	234	610349
103	22030020	147	34029010	191	442090	235	610413
104	22030090	148	340510	192	44219190	236	610419
105	220410	149	340520	193	44219990	237	610422
106	220421	150	340530	194	480300	238	610423
107	220510	151	34054010	195	48181010	239	610429
108	220710	152	34054090	196	48181090	240	610431
109	220820	153	340590	197	481820	241	610432
110	220830	154	340600	198	481830	242	610433
111	22084010	155	38070010	199	48185090	243	610439
112	220850	156	38140010	200	48189020	244	610442
113	220860	157	38140090	201	48189090	245	610443
114	220870	158	381900	202	570110	246	610444
115	22089010	159	39262020	203	57019090	247	610449
116	240210	160	39262090	204	57022010	248	610452
117	24022020	161	401519	205	570231	249	610453
118	24022050	162	401590	206	570232	250	610459
119	24022060	163	401691	207	570241	251	610461
120	24031920	164	401694	208	570249	252	610462

No.	HS code	No.	HS code	No.	HS code	No.	HS code
253	610463	297	611595	341	62042290	385	621050
254	610469	298	611596	342	62042390	386	621111
255	610510	299	611599	343	62042990	387	621112
256	610520	300	611610	344	620431	388	621120
257	610590	301	611691	345	62043290	389	62113290
258	610610	302	611692	346	62043390	390	62113390
259	610620	303	611693	347	62043990	391	62113990
260	610690	304	611699	348	620441	392	62114219
261	610721	305	611710	349	62044219	393	62114292
262	610729	306	61178010	350	62044290	394	62114299
263	610791	307	61178020	351	62044390	395	62114319
264	610799	308	620111	352	62044419	396	62114392
265	610831	309	620112	353	62044490	397	62114399
266	610832	310	620113	354	62044990	398	62114919
267	610839	311	620119	355	62045290	399	62114992
268	610891	312	620192	356	62045390	400	62114999
269	610892	313	620193	357	62045990	401	62132090
270	610899	314	620199	358	620461	402	62139090
271	610910	315	620211	359	62046219	403	62141090
272	610990	316	620212	360	62046290	404	62144090
273	611011	317	620213	361	62046390	405	62149090
274	611012	318	620219	362	62046919	406	621510
275	611019	319	620291	363	62046990	407	621520
276	611020	320	620292	364	62052090	408	621590
277	611030	321	620293	365	62053090	409	621600
278	611090	322	620299	366	62059090	410	630110
279	611120	323	620311	367	62061090	411	630120
280	611130	324	62031290	368	620620	412	630130
281	611190	325	62031990	369	62063090	413	630140
282	611211	326	62032290	370	62064019	414	630190
283	611212	327	62032390	371	62064090	415	630210
284	611219	328	62032990	372	62069090	416	63022190
285	611231	329	620331	373	62072290	417	63022290
286	611239	330	62033290	374	62082190	418	63022990
287	611241	331	62033390	375	62082290	419	63023190
288	611249	332	62033990	376	62082990	420	63023290
289	611300	333	620341	377	62089190	421	63023990
290	611420	334	62034290	378	620920	422	630240
291	611430	335	62034390	379	620930	423	63025190
292	611490	336	62034911	380	620990	424	63025990
293	611510	337	62034990	381	621010	425	63026090
294	611529	338	62041290	382	621020	426	63029190
295	611530	339	62041390	383	621030	427	63029390
296	611594	340	62041990	384	621040	428	63029990

No.	HS code	No.	HS code	No.	HS code	No.	HS code
429	630312	473	640359	517	701890	561	84151021
430	630319	474	640391	518	732111	562	84151022
431	630391	475	640399	519	732112	563	84151023
432	630392	476	640411	520	732119	564	84151024
433	630399	477	640419	521	732181	565	84151029
434	630411	478	640420	522	732182	566	84151032
435	63041990	479	640510	523	732189	567	84151033
436	630420	480	640520	524	732310	568	84151034
437	630491	481	640590	525	732391	569	84151035
438	63049290	482	650100	526	732392	570	84151039
439	63049390	483	650200	527	732393	571	84158190
440	63049990	484	650400	528	732394	572	84158290
441	63051010	485	65050010	529	732399	573	84158390
442	63051090	486	65050090	530	73241010	574	84159019
443	630520	487	65061090	531	73241090	575	84159029
444	630532	488	65069110	532	732421	576	84181090
445	630533	489	65069190	533	732429	577	84182190
446	630539	490	65069910	534	732490	578	84182920
447	630590	491	65069990	535	74181090	579	84182990
448	630612	492	650700	536	741820	580	84231020
449	630619	493	660110	537	76151020	581	84501110
450	630622	494	660191	538	76151090	582	84501131
451	630629	495	660199	539	76152090	583	84501132
452	630630	496	670300	540	821000	584	84501133
453	630640	497	670411	541	821110	585	84501134
454	630690	498	670419	542	821191	586	84501139
455	630710	499	670420	543	821192	587	84501141
456	630720	500	670490	544	821194	588	84501142
457	630790	501	691110	545	82121010	589	84501143
458	63079090	502	69120010	546	82121090	590	84501144
459	640110	503	69120090	547	82122090	591	84501149
460	640199	504	69139090	548	821300	592	84501210
461	640212	505	701310	549	821410	593	84501231
462	64021910	506	701322	550	821420	594	84501232
463	64021919	507	701328	551	821490	595	84501233
464	640220	508	701333	552	821510	596	84501234
465	640291	509	701337	553	821520	597	84501239
466	640299	510	701341	554	821599	598	84501910
467	640312	511	701342	555	830300	599	84501931
468	64031910	512	701349	556	830621	600	84501932
469	64031919	513	701391	557	830629	601	84501933
470	640320	514	70139990	558	830630	602	84501934
471	640340	515	701810	559	841451	603	84501939
472	640351	516	701820	560	841459	604	850811

No.	HS code	No.	HS code	No.	HS code	No.	HS code
605	850940	649	85287233	693	910219	737	940592
606	850980	650	85287234	694	910221	738	94059910
607	851010	651	85287235	695	910229	739	94059990
608	851020	652	85287236	696	910291	740	95030010
609	851030	653	85287239	697	910299	741	95030030
610	85131010	654	85287241	698	910511	742	95030050
611	85131090	655	85287249	699	910519	743	95030070
612	851610	656	85287291	700	910521	744	95030080
613	851621	657	85287299	701	910529	745	95030090
614	851629	658	85287320	702	910700	746	950420
615	851631	659	85287390	703	920110	747	950440
616	851632	660	85291010	704	920120	748	950450
617	851633	661	85291030	705	920190	749	95049090
618	851640	662	85291090	706	920210	750	950510
619	851650	663	852990	707	920290	751	950590
620	85166010	664	853910	708	920510	752	95062910
621	85166090	665	85392110	709	920590	753	95062920
622	851671	666	85392190	710	920600	754	95062990
623	851672	667	85392210	711	920710	755	950631
624	85167910	668	85392220	712	920790	756	950651
625	85167920	669	85392290	713	920890	757	950659
626	85167990	670	853929	714	94012090	758	950661
627	851680	671	85392910	715	94013090	759	950662
628	851711	672	85392990	716	94017190	760	950669
629	85171210	673	85393110	717	94019090	761	950691
630	85171220	674	85393190	718	94032090	762	950699
631	85171290	675	853932	719	94039090	763	950720
632	851718	676	853939	720	94051010	764	950790
633	85258090	677	853941	721	94051020	765	950890
634	852712	678	853949	722	94051090	766	960340
635	852713	679	853950	723	94052010	767	960400
636	852719	680	853990	724	94052020	768	960500
637	852721	681	900410	725	94052090	769	961310
638	852729	682	900490	726	940530	770	961320
639	852791	683	900510	727	94054010	771	961390
640	852792	684	900580	728	94054020	772	961511
641	852799	685	910111	729	94054030	773	961519
642	85285990	686	91011990	730	94054040	774	961590
643	852869	687	910121	731	94054090	775	96161010
644	85287120	688	910129	732	94055010	776	96161090
645	85287190	689	910191	733	94055020	777	96170090
646	85287210	690	910199	734	94055090	778	961800
647	85287231	691	910211	735	940560	779	962000
648	85287232	692	910212	736	940591		

Circular No. 01 of 2022

03 November 2022

To: All Licensed Commercial Banks

CENTRAL BANK'S RATE OF INTEREST ON ADVANCES (BANK RATE)

Licensed Commercial Banks (LCBs) are hereby informed that with effect from 03 November 2022, the Bank Rate, which is an administratively determined rate that could be used in periods of emergency for the Central Bank to grant extraordinary loans or advances to LCBs will commensurately be adjusted in line with the latest available Average Weighted New Deposit Rate (AWNDR) published by the Central Bank of Sri Lanka with a margin of +700 basis points.

Dr. R A Anil Perera
Director/ Domestic Operations

Circular – 01/2022

January 10, 2022

Ref No: 037/06/008/0006/020

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

Dear Sir/Madam,

**AMENDMENT TO THE GUIDELINES FOR FINANCIAL INSTITUTIONS ON CCTV OPERATIONS FOR
 AML/CFT PURPOSES, NO. 2 OF 2021**

Further to the Guidelines issued dated July 20, 2021, on the above.

Clause 15 of the above guidelines is amended as below.

15. FIs should maintain all information captured in the CCTV system for a minimum period of 90 days.

Yours faithfully
 D R Karunaratne
Director
Financial Intelligence Unit

Cc: Director, Bank Supervision Department of the Central Bank of Sri Lanka
 Director, Department of Supervision of Non - Bank Financial Institutions of the Central Bank of Sri Lanka
 Director General, Securities and Exchange Commission of Sri Lanka
 Compliance Officers, all Financial Institutions

Circular – 02/2022

March 22, 2022

Ref No: 037/05/002/0005/022

To: GMs/CEOs of the Financial Institutions,

FURTHER INFORMATION REQUESTED ON SUSPICIOUS TRANSACTION REPORTS (STRS)

The Financial Intelligence (FIU) has observed some delay in obtaining responses to the 'call for information' reports requested from Financial Institutions (FIs) relating to STRs. Therefore, FIs are required to adhere to the following specified time periods when submitting additional information requests on STRs.

- For 'Extremely Urgent' information requests, FIs are required to provide information within 24 hours or as specified in the request.
- For 'Urgent' information requests, FIs are required to provide information within three working days from the date of the letter.
- For other information requests, FIs are required to provide information within two weeks from the date of the letter.

You are hereby requested to strictly comply with the above mentioned timelines when responding to the 'call for information' requests made by the FIU to ensure compliance with the Financial Transactions Reporting Act, No 06 of 2006 (FTRA), Financial Institutions (Customer Due Diligence) Rules, No 1 of 2016 and other rules, regulations and guidelines issued thereunder.

Yours faithfully
Director
Financial Intelligence Unit

Cc: Compliance Officers

Circular – 03/2022

August 25, 2022

Ref No: 037/06/006/0005/022

To: CEOs/GMs/MDs of Licensed Commercial Banks & Licensed Specialised Banks

Dear Sir/Madam,

PROVISION OF EFFICIENT BANKING SERVICES TO SRI LANKAN EXPATRIATES

Considering the current economic state of the country, it is of utmost importance to attract foreign exchange to Sri Lanka while adhering to the national laws and rules, regulations, circulars and directives issued under such laws.

It has come to our notice that complaints have been received by the Central Bank of Sri Lanka (CBSL) and by the Financial Intelligence Unit (FIU) on the difficulties faced by Sri Lankan expatriates when opening accounts from overseas and making fund transfers through accounts maintained with Licensed Commercial Banks and Licensed Specialised Banks.

Many of the complaints referred to;

1. Unreasonable length of time taken to complete the services offered by the staff,
2. Delays and long duration taken to credit funds to relevant local accounts when executed from overseas,
3. Bank staff misinterpreting the CBSL /FIU circulars and misinforming the customers.

Much of these complaints were concentrated on the conduct of branches at regional and outstations.

Accordingly, your attention is drawn to streamline the processes of attracting remittances by regional and outstation branches.

Yours faithfully
(Mrs.) E H Mohotty

Director
Financial Intelligence Unit

Cc: Director, Bank Supervision Department, Central Bank of Sri Lanka
Compliance Officers of Licensed Commercial Banks & Licensed Specialised Banks

Circular: 04/2022

November 21, 2022

Ref: 037/05/003/0005/022

To: All General Managers/Chief Executive Officers of Financial Institutions

Dear Sir/Madam,

AUTHENTICATING CUSTOMER IDENTIFICATION DETAILS THROUGH THE DEPARTMENT OF IMMIGRATION AND EMIGRATION

The Department of Immigration and Emigration has agreed to provide the service of authenticating customer identification details as required by the Financial Institutions Customer Due Diligence Rules, No. 1 of 2016.

If your institution is interested in obtaining the above service, you may send a request to Mr. I. S. H. J. Ilukpitiya, Controller General of the Department of Immigration and Emigration. Please note that your institution will be required to sign a Memorandum of Understanding with the Department of Immigration and Emigration similar to the current arrangement with the Department of Persons Registration in obtaining the service.

Yours faithfully
Director,
Financial Intelligence Unit

Cc: Mr. I. S. H. J. Ilukpitiya, Controller General of the Department of Immigration and Emigration
Compliance Officer

Our Ref: 69/02/002/0002/001

19th January 2022

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ON “REIMBURSEMENT OF THE TRANSACTION COST OF WORKERS’ REMITTANCES”

With an objective of encouraging more workers’ remittances to the country through formal fund transferring channels, the Central Bank of Sri Lanka (CBSL) has decided to grant an incentive for Sri Lankans working abroad by reimbursing the transaction cost (TC) incurred on account of inward workers’ remittances as a fixed payment of Rs.1,000 per transaction.

Accordingly, all Licensed Banks (LBs) are hereby instructed to adhere to the following Operating Instructions in operationalizing the mechanism with effect from 01.02.2022.

1. Eligible Transactions

The foreign currency income earned through employment by Sri Lankan nationals who are working abroad/have worked abroad and/or their beneficiaries will qualify for this incentive upon the conversion of such foreign currency into Sri Lankan rupees through LBs in Sri Lanka.

The CBSL will reimburse the TC of workers remittances subject to the following conditions:

- (i) Each migrant worker or his/her beneficiary is eligible to receive this incentive only for two transactions per month.
- (ii) Direct fund transfers to Personal Foreign Currency Accounts are not eligible to receive this incentive.
- (iii) A Sri Lankan national who resides in Sri Lanka and earns foreign currency income through rendering services in nature of employment abroad will not be eligible to receive this incentive.

2. Operating Framework

- (i) LBs are required to credit or disburse Rs.1,000 per eligible transaction to the beneficiaries.
- (ii) In the case of remittances received through an intermediary LB, Rs.1,000 shall be credited or disbursed by the final receiving bank which maintains beneficiaries’ LKR account or makes the end rupee payment to the beneficiary.
- (iii) LBs are required to submit the claim for reimbursement on quarterly basis to the Foreign Remittances Facilitation Department (FRFD) of the CBSL as per the format given in Annex I within 15 days after the end of each quarter.
- (iv) All reimbursement claims shall be audited by the LB’s Internal Audit Department to verify that the claims are in conformity with the instructions issued by the CBSL prior to the submission of the claim.

3. Accounting and Record Keeping

LBs are required to maintain separate accounts and records in respect of the reimbursement of the TC with all necessary supporting documents.

- 4. All LBs are advised to notify the contents of the above scheme amongst all the overseas entities that has home remittance related arrangements with the respective LB in order to promote awareness about the scheme among the migrant workers.

For further information or clarifications, you may contact the Foreign Remittances Facilitation Department of the CBSL on 0112477448, 0112398754 or 0112477426.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Annex I

----- Corporate Letterhead -----

Name of Bank :

Reporting Period: Quarter Ending

Reimbursement of "Transaction Cost of the Worker Remittances"

(a) Date	(b) Total remittance inflow equivalent in USD*	(c) Total Number of Transactions	(d) Number of eligible transactions directly routed to the LB and credited/ disbursed to final beneficiaries in LKR	(e) Number of eligible transactions routed through other LBs and credited/disbursed to final beneficiaries in LKR	(f) Total Number of eligible transactions for reimbursement (d+e)	(g) Total remittances inflow equivalent in USD* corresponding to Total Number of eligible transactions(f)	(h) Total amount to be claimed (Rs)

*LBs shall use the available indicative exchange rate published by CBSL

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer lists/records maintained at the bank.

Signature	.....	.....	.....
Name	.....	.....	.....
Designation	Chief Executive Officer	Chief Compliance Officer	Chief Financial Officer
Date	.....	.....	Head of Internal Audit
		

Our Ref: 69/02/002/0002/002

27 January 2022

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "REIMBURSEMENT OF THE TRANSACTION COST OF WORKERS' REMITTANCES"

This is with reference to the Operating Instructions on "Reimbursement of the Transaction Cost of Workers' Remittances" (Ref: 69/02/002/0002/001) issued on 19.01.2022.

This is to inform you that following amendments are made to the Operating Instructions :

- a) 1 (i) is replaced with the following:

Each migrant worker or his/her beneficiary is eligible to receive this incentive only for inward remittance transactions amounting to Rs.20,000 or above.

- b) 1 (iii) is repealed.

All other conditions and instructions in the Operating Instructions issued on 19.01.2022 remain unchanged.

For further information or clarifications, you may contact the Foreign Remittances Facilitation Department of the CBSL on 0112477448, 0112398754 or 0112477426.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0012/001

31 January 2022

To : Chief Executive Officers of All Licensed Banks

EXTENSION OF THE EFFECTIVE PERIODS OF OPERATING INSTRUCTIONS ON "ADDITIONAL INCENTIVE SCHEME ON INWARD WORKERS' REMITTANCES" AND "INCENTIVES FOR GENERAL PUBLIC FOR DEPOSITING, CONVERTING AND INVESTING OF FOREIGN CURRENCY HELD IN HAND"

This has reference to the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) on 01.12.2021 (Ref: 33/04/012/0011/014) on "Additional Incentive Scheme on Inward Workers' Remittances" and on 27.12.2021 (Ref: 33/04/012/0011/017) on Amendments to the OIs on "Incentive Scheme on Inward Worker Remittances", "Repatriation of Export Proceeds into Sri Lanka", "Additional Incentive Scheme on Inward Workers' Remittances" and "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency Held in Hand".

Considering the financial advantages to the beneficiaries of the Sri Lankans working abroad and to the Sri Lankans residing in Sri Lanka and earning foreign currency income from an employment abroad and resultant improvement expected in terms of foreign exchange inflows to the country through formal channels and to promote foreign currency notes of the country to be channeled through the formal banking system, the CBSL has decided to extend the effective periods of the above OIs on "Additional Incentive Scheme on Inward Workers' Remittances" and "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency Held in Hand", until further notice.

Accordingly, all Licensed Banks (LBs) are hereby informed that the incentives offered under the above OIs are extended until further notice and LBs are required to submit relevant claim applications on monthly basis by 15th day of the following month to the CBSL, accordingly. Further, LBs are hereby requested to sell to the CBSL, on a weekly basis, in US dollars, twenty-five per centum (25%) of foreign currency held in hand by the general public, which are converted into Sri Lankan rupees, until further notice.

All other requirements specified in the previously issued OIs on the above schemes shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398708.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

08 March 2022

To : Chief Executive Officers of all Licensed Commercial Banks and Licensed Specialized Banks

**POLICY PACKAGE TO SUPPORT GREATER MACROECONOMIC STABILITY:
ALLOWING FLEXIBILITY IN THE EXCHANGE RATE**

The Monetary Board of the Central Bank of Sri Lanka has decided on 07 March 2022 to allow greater flexibility in the exchange rate with immediate effect, and the Central Bank is of the view that foreign exchange transactions would take place at levels which are not more than Rs. 230.00 per US dollar and the equivalent cross currency rates. In light of the above decision of the Monetary Board, the formally agreed exchange rate range as requested by then Governor on 06 September 2021 will not be applicable from 08 March 2022 onwards.

As greater flexibility in the exchange rate is now allowed, effective from 09/03/2022, the Central Bank will discontinue the incentive of Rs. 8.00 per US dollar offered by the Central Bank on the conversion of workers' remittances and the incentive of Rs. 10.00 per US dollar on the conversion of foreign currency notes held in hand, as per the Operating Instructions issued on the "Additional Incentive Scheme on Inward Workers' Remittances" and "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency", respectively.

The requirement of the sale of 25% of converted workers' remittances and mandatorily converted export proceeds by Banks to the Central Bank will continue.

The recent decision of the Government to provide a new incentive to expatriate workers who convert remittances would be clarified by the Government in due course.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0012/002

22 March 2022

To : Chief Executive Officers of All Licensed Banks

**AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "INCENTIVE SCHEME ON INWARD WORKER
REMITTANCES" AND "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"**

In accordance with the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) to Licensed Banks (LBs) on 27 December 2021, all LBs have been selling foreign exchange (FX) to the CBSL, on a weekly basis, in US dollars of **twenty-five per centum (25%)** of inward workers' remittances (received in various currencies), which are converted into Sri Lankan rupees (LKR) and the residual of export proceeds, which is mandatory to convert into LKR. These FX purchases have supported the CBSL to provide FX required to finance essential imports of the country.

In this regard, taking recent developments into consideration as well as the need to further improve the foreign reserves of the country and to ensure the uninterrupted supply of essential imports, (particularly, fuel, gas, coal and medicine) the CBSL hereby directs all LBs to sell to the CBSL, on a weekly basis, in US dollars, **fifty per centum (50%)** of inward workers' remittances (received in various currencies), which are converted into LKR and the residual of export proceeds, which is mandatory to convert into LKR, from the week commencing from 21.03.2022, until the week ending on 29.07.2022.

Other requirements specified in previously issued OIs on the above schemes shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398715.

Our Ref: 33/04/012/0012/003

11 April 2022

To : Chief Executive Officers of All Licensed Banks

**AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "INCENTIVE SCHEME ON INWARD WORKER
REMITTANCES" AND "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"**

Reference to the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) on "Incentive Scheme on Inward Worker Remittances" and "Repatriation of Export Proceeds into Sri Lanka".

Considering the prevailing condition in the domestic foreign exchange (FX) market and taking into consideration the FX commitments of Licensed Banks (LBs), the CBSL has decided to reduce the weekly mandatory FX sales requirement to the CBSL on account of converted

workers' remittances and mandatorily converted export proceeds from **fifty per centum (50%) to twenty-five per centum (25%)**, effective from 11.04.2022.

Accordingly, the CBSL hereby requests all LBs to sell **twenty-five per centum (25%)** of inward workers' remittances (received in various currencies), which are converted into Sri Lankan Rupees (LKR) and the residual of export proceeds, which is mandatory to convert into LKR, to the CBSL, on a weekly basis, in US dollars, from the week commencing from 11.04.2022, until further notice.

Other requirements specified in previously issued OIs on the above schemes shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398715.

Our Ref: 33/04/012/0012/004

12 May 2022

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ON MANAGING INTRADAY VOLATILITY OF THE EXCHANGE RATE

Considering the prevailing condition in the domestic foreign exchange (FX) market and excessive volatility in the exchange rate, the Monetary Board has decided to introduce following measures to facilitate orderly behaviour of foreign exchange market/exchange rate.

Accordingly, all Licensed Banks (LBs) are hereby informed that, with effect from 13 May 2022, the Central Bank of Sri Lanka (CBSL) will announce a middle rate of the USD/LKR exchange rate applicable for interbank transactions, based on the previous day's weighted average spot exchange rate prevailed in the interbank market. Further, the CBSL will also announce the permitted USD/LKR variation margin on a daily basis, before opening of the market. The rates applicable to other currencies shall be determined by LBs based on the announced USD/LKR rate and the variation margin.

The variation margin of the intraday exchange rate of the interbank market shall be within the permitted range and shall be applied as plus or minus of the weighted average interbank USD/LKR spot exchange rate announced. LBs are requested to apply only reasonable margins in determining the rates applicable for customer transactions. Forward rates of the LBs shall also be consistent with the interbank market spot rates.

The fees/commission structure of LBs shall be reasonable, transparent and shall not exceed three percent (3%) of the equivalent rupee value of the transaction.

All LBs are required to strictly adhere to these Operating Instructions.

Our Ref: 33/04/012/0012/005

25 August 2022

To : Chief Executive Officers of All Licensed Commercial Banks and National Savings Bank

AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"

All Licensed Commercial Banks and National Savings Bank (Licensed Banks/ LBs) are hereby informed that the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) on the above are amended, to effect the requirement of mandatory foreign exchange sale of converted receipts/proceeds in relation to the service exports to the CBSL, following the Gazette Extraordinary No. 2292/50 dated 12.08.2022, which terminated mandatory requirement of the conversion of service export receipts/proceeds with effect from 12.08.2022 (Annexure I).

Accordingly, the CBSL hereby requests all LBs to sell **twenty-five per centum (25%)** of the service export receipts/proceeds converted into Sri Lanka rupees (LKR) to the CBSL, with effect from 12.08.2022.

Further, all LBs are required to continue selling of **twenty-five per centum (25%)** of residual of export proceeds of goods, which are mandatorily converted into LKR, to the CBSL.

All other requirements specified in previously issued OIs on the above scheme shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398715.

Dr. Nandalal Weerasinghe
Governor
Central Bank of Sri Lanka

Annexure I

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

No. 2292/50 - FRIDAY, AUGUST 12, 2022
(Published by Authority)

**PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, No. 58 OF 1949**

RULES made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

P. NANDALAL WEERASINGHE,
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka.
Colombo,
12 August, 2022

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as “Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2022”.
2. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2022 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2270/66 dated 11th March 2022, are hereby amended by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rule.

“4. Every exporter of goods, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned **authorized payments**, on or before the seventh (7th) day of the following month,

- i. outward remittances for current transactions related to the particular export of goods including one-month commitments therein;
- ii. withdrawal in foreign currency notes or transfer of funds for travel purposes related to export of goods;
- iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or the Banking Act, No. 30 of 1988, as amended, including one-month loan commitments;
- iv. payments of dividends declared to non-resident investors and/ or payments of salaries to expatriate employees who are foreign nationals or dual citizens as permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017;
- v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received; and
- vi. payments to local suppliers who are permitted to receive payments in foreign currency in terms of the Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 for the purchases related to the particular export of goods

Our Ref: 33/04/012/0012/006

30 December 2022

To : Chief Executive Officers of All Licensed Banks

**OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON “INCENTIVE SCHEME ON INWARD WORKERS’
REMITTANCES”**

This is with reference to the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) to Licensed Banks (LBs) on “Incentive Scheme on Inward Workers’ Remittances” dated 22.12.2020 and subsequently amended on 01.01.2021.

The Secretary to the Treasury has requested the CBSL to instruct all LBs to terminate the incentive of LKR 2.00 per US dollar paid on conversion of inward workers’ remittances with immediate effect. Accordingly, please be informed that the OIs issued by the CBSL on 22.12.2020 and related amendments issued on 01.01.2021 under reference numbers 33/04/012/0011/004 and 33/04/012/0011/005, respectively, are hereby revoked with effect from 01.01.2023.

Dr. P Nandalal Weerasinghe
**Governor
Central Bank of Sri Lanka**

Ref. No.: 08/21/007/047/002

23 March 2022

To: Chief Executive Officers of all Designated Agents in Sri Lanka Development Bonds (SLDBs)

OPERATING INSTRUCTIONS ON 'INCENTIVE SCHEME FOR THE DIRECT ISSUANCE WINDOW FOR SLDBS'

With the objective of further encouraging investments in Sri Lanka Development Bonds (SLDBs), the Central Bank of Sri Lanka (CBSL) introduced a Direct Issuance Window (DIW) for SLDBs. In this connection, an incentive scheme has also been introduced where promotion and/ or handling fees equivalent to 0.5 per cent (50 basis points) on the SLDB investment brought in through the DIW shall be provided as an incentive to Arrangers of investments through Designated Agents (DAs) in Sri Lankan Rupees (LKR). An Arranger is defined as any individual or an entity including DAs, who brings in investment in SLDBs. Accordingly, all DAs are hereby instructed to adhere to the following Operating Instructions in operationalizing the mechanism for the eligible investments in SLDBs through the DIW from 1st February 2022.

1. Eligible Investments

Investments in SLDBs through the DIW brought in by the DAs.

2. Operating Framework

- i. DAs are required to promote the SLDBs among the existing clientele and prospective investors.
- ii. Any promotional or handling fees equivalent to 0.5 per cent (50 basis points) on the SLDB investment brought in through the DIW shall be provided as an incentive to Arrangers through DAs in LKR by the CBSL. For the LKR conversion, the indicative US dollar exchange rate published by the CBSL on the date of settlement of the SLDB investment shall be considered by the CBSL.
- iii. The DAs are required to submit their claim for such incentives on monthly basis to the Front Office of the Public Debt Department (FO-PDD) of the CBSL via the fopdd@cbsl.lk email as per the format given in Annex I. The claims related to the period 01st February 2022 to 28th February 2022, shall be submitted no later than 31st March 2022. From March 2022 onwards, claims for the month concerned shall be submitted by the DAs within seven working days after the end of each month.
- iv. Upon receipt, the CBSL shall verify the claim, and inform the DA of any discrepancy within 7 working days from the date of the claim. If no discrepancy arises, the CBSL shall pay the incentive within 14 working days from the receipt of the claim.
- v. Where applicable, the DA shall share the incentive paid with the Arranger, as per the terms agreed between the Arranger and the DA. The CBSL shall not compensate the Arranger directly of an SLDB investment through the DIW.

3. Accounting and Record Keeping

The DAs are required to maintain records in respect of the incentive scheme and settlement of such incentives of promoting and handling fees to Arranger.

For further information or clarifications, you may contact FO-PDD of the CBSL on 0112398611, 0112398877, 0112477574, 0112477316 or 0112477011.

**Superintendent Public Debt
Central Bank of Sri Lanka**

Encl/-

Annex I

.....Corporate letterhead.....

Name of the DA:

Reporting Period: Month Ending

Incentive Claim for 'Investments in SLDBs via the DIW'

Date of Application	Date of Settlement	Name of the Investor	Investment Amount in US dollars

Total for the Period			

Account Details of the DA for the Receipt of the Incentive

Account Name :

Account Number :

Bank :

Branch :

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer/ lists records maintained with us.

Signature	.....	.....	.....
Name	.....	.....	.....
Designation	Chief Dealer/ Head of Treasury	Chief Compliance Officer	Chief Financial Officer
Date	.....	.....	.....

Payment and Settlement Systems General Direction No. 01 of 2022**Payment and Settlement Systems Act No. 28 of 2005**

General Direction given 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

Mrs. T. M. J. Y. P. Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo
 28 February 2022

General Direction

This Direction is issued in terms of section 44 of the Payment and Settlement Systems Act No. 28 of 2005, for the proper and efficient implementation, administration and enforcement of the provisions of the aforesaid Act. This Direction may be cited as the General Direction on Sri Lanka Interbank Payment System No. 01 of 2022 and shall replace the General Direction on Sri Lanka Interbank Payment System No. 01/2011. This Direction shall apply to LankaClear (Pvt) Ltd. (LCPL) and the participants of the Sri Lanka Interbank Payment System (SLIPS) and shall come into operation on 28 February 2022.

This Direction is in addition to and not in derogation of any other written law, rules, regulations and terms and conditions to which LCPL and participants of SLIPS are subject to and/or may be subject to from time to time.

Without prejudice to the generality of the above paragraph, this Direction shall not be construed to limit any obligation or responsibility imposed by the Payment and Settlement Systems Act, No. 28 of 2005.

Introduction

SLIPS is an electronic system which processes payment orders to facilitate money transactions. SLIPS was introduced by the CBSL in 1993 as an off-line Interbank Payment System. In 2002, the CBSL divested the clearing operations of Cheques and SLIPS to LCPL. The objectives of the SLIPS are to establish a uniform and common electronic retail payment system and to promote payment system safety and efficiency while promoting cooperation among all SLIPS participants in the evolution of the country's retail payment systems. SLIPS was upgraded to an on-line Interbank Payment System by LCPL in September 2010 to facilitate settlement of transactions on the same business day.

A. Definitions

1. **"Beneficiary"** shall mean any legal or natural person named as the beneficiary of Monetary Value in a Payment Order and/or such person's nominee agent or representative.
2. **"Business Day"** shall mean any day of the calendar year on which the SLIP System shall operate, unless declared as a non-business day by LCPL in concurrence with Sri Lanka Banks' Association (Guarantee) Limited (SLBA) and the CBSL.
3. **"Clearing Cycle"** shall mean the time duration from one settlement time to the next immediate settlement time.
4. **"Customer"** shall mean any legal or natural person, who issues, directs or authorizes a Payment Order on his own behalf or on behalf of some third party and who, towards such end, authorizes the SLIPS Participant to debit an account or tenders Monetary Value to the extent of the value of the Payment Order.
5. **"CBSL"** shall mean the Central Bank of Sri Lanka as established under the Monetary Law Act (Chapter 422).
6. **"Digital Certificate"** shall mean the certification issued by LCPL, in the capacity of the certificate service provider to the financial sector, to each SLIPS Primary Participant and/or Secondary Participant for the purposes of maintaining the non-repudiation, authenticity, and integrity of the SLIPS Messages.
7. **"Electronic Information"** shall mean information generated, sent, received, or stored by electronic, magnetic, optical, or similar capacities regardless of the medium.
8. **"Electronically"** shall mean by means of either on-line telecommunications including over the internet or email, or the physical delivery of tapes, diskettes, or similar devices off-line.
9. **"Funds"** shall mean and include cash, deposits, monetary value, and any other credit available for withdrawal held in an account.
10. **"Licensed Commercial Bank"** or **"Licensed Specialized Bank"** or **"Bank"** shall mean a public company duly incorporated in Sri Lanka or abroad or a body corporate established under a written law which has received a banking license from the Monetary Board of Central Bank of Sri Lanka with the approval of the Minister in charge of the subject of Finance, under Banking Act No. 30 of 1988 as may be amended.
11. **"LCPL"** shall mean LankaClear (Private) Limited incorporated under the Companies Act No.17 of 1982 and re-registered under Companies Act No.07 of 2007 and who shall be the lawful authority to operate the SLIP System in Sri Lanka.
12. **"Money Transmission"** shall mean issuing money value and/or receiving money or monetary value either from the Customer or Remitter or for a Beneficiary and includes the provisions of a facility for the withdrawal of money, for the transfer of monetary value between accounts or for the payment of monetary value to third parties. The term includes the taking part in any transaction or arrangement involved in carrying out the transmission from the Customer or Remitter to the Beneficiary even if neither the Customer, Remitter nor the Beneficiary is a party or direct Participant to such transaction or arrangement. Money Transmission under the SLIP System shall be within Sri Lanka, in domestic currency.
13. **"Monetary Value"** shall mean a medium of exchange, whether or not redeemable in money, including in the form of stored value, payment instrument or credit to an account.
14. **"Payment Order"** shall mean a writing issued or generated by a Customer directing or instructing a SLIPS Primary Participant or SLIPS Secondary Participant to effect and execute a payment of Monetary Value to a named Beneficiary through a named SLIPS Participant.
15. **"Net Remittances"** shall mean the net Monetary Value of all Payment Orders received and Payment Orders effected by a SLIPS Participant under the SLIP System such that the SLIPS Participant is either a net debtor or net creditor to another SLIPS Participant at the end of each Clearing Cycle.
16. **"Operational Procedure Manual"** shall mean the document containing the procedures laid down for the guidance of LCPL and SLIPS Participants as regards to operations of the SLIP System.
17. **"Remitter"** shall mean a SLIPS Participant who initiates and generates a SLIPS transaction authorizing the Receiver to effect a payment.

18. **"Receiver"** shall mean a SLIPS Participant who receives a SLIPS Transaction from a Remitter and who is authorized by the SLIPS Data contained therein to effect a payment.
19. **"RTGS System"** shall mean the Real Time Gross Settlement system, which is a fully automated systematically important payment system owned and operated by the CBSL. The RTGS system is a component of the LankaSettle System.
20. **"SLIPS"** shall mean "Sri Lanka Inter Bank Payment System" an electronic system, process or arrangement maintained and/or centrally controlled by LCPL for and on behalf of the CBSL and facilitating the communication and processing of Payment Orders and other messages, effecting, ordering, enabling, authorizing or facilitating money transactions, money withdrawals or transfers of monetary value, and shall include LCPL systems, processes and procedures for the electronic transfer and transmission of payment sought to be effected by a SLIPS Participant.
21. **"SLIPS Data"** shall mean unique identification codes and all other information derived from data generated by SLIPS, SLIPS Participants, and LCPL, including both outward data and inward data.
22. **"SLIPS File"** shall mean a SLIPS Data file generated by a SLIPS Participant containing its outward SLIPS Transactions and transmitted to LCPL through the SLIP System for clearing.
23. **"SLIPS Transaction"** shall mean the electronic transaction generated by a SLIPS Participant and/or the CBSL through the SLIP System to effect, communicate or execute a Payment Order.
24. **"SLIPS Record"** shall mean SLIPS related information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.
25. **"SLIP System"** shall mean systems and processes operated and maintained by LCPL and SLIPS participants relating to SLIPS including without any limitation, systems for dispatching, receiving, processing and archival of SLIPS Data.
26. **"SLIPS Participant"** shall mean SLIPS Primary Participant and/or SLIPS Secondary Participant.
27. **"SLIPS Primary Participant"** shall mean the CBSL or any Licensed Commercial Bank or any Licensed Specialized Bank operating in Sri Lanka and being a participant in the RTGS System with the CBSL and authorized by the CBSL and LCPL to participate in the SLIP System.
28. **"SLIPS Secondary Participant"** shall mean any legal entity authorized by a SLIPS Primary Participant to execute transactions on the SLIP System and to settle net balances through the RTGS account maintained by the said Primary Participant, and authorized by the CBSL & the LCPL to participate in the SLIP System.
29. **"Settlement Day"** shall mean a day on which Banks are open for business in Sri Lanka (as declared by the SLBA in concurrence with the CBSL) and a day on which multilateral net- settlement/s would take place through the RTGS System.
30. **"Settlement Time"** shall mean times specified from time to time by CBSL, at which times the net settlement among the SLIPS Participants is determined by RTGS System.
31. **"SLBA"** shall mean Sri Lanka Banks' Association (Guarantee) Limited.
32. **"Transaction Limits"** shall mean the maximum value assigned per transaction within the SLIP System as agreed upon by and among the CBSL, LCPL, and SLIPS Primary Participants.
33. **"User Agreement"** shall mean an agreement entered into by LCPL with each SLIPS Primary Participant and/or SLIPS Secondary Participant relating to the SLIP System.
34. **"User Password"** shall mean the secret code assigned to each SLIPS Primary Participant and/or Secondary Participant by LCPL to grant them access to the SLIP System.
35. **"Value Date"** shall mean the date stipulated by the Remitter or Customer in his Payment Order on which date the Beneficiary shall be entitled to receive the Monetary Value stated in the Payment Order.

B. Responsibilities of LCPL and SLIPS Participants

1. Each SLIPS Participant and LCPL shall enter into a User Agreement relating to participation in and operation of the SLIP System.
2. SLIPS Participants and LCPL shall adhere to the specifications set out by LCPL with the concurrence of the CBSL in respect of the SLIP System to ensure clarity and standards.
3. LCPL shall issue to each SLIPS Participant, Digital Certificates and User Passwords, which the SLIPS Participants shall treat with utmost secrecy.

4. SLIPS Participants and LCPL shall adhere to the arrangements between them in respect of electronic fund transfers, including those in the form of rules, procedures or such other arrangements prescribed by LCPL from time to time with the concurrence of the CBSL.
5. SLIPS Participants and LCPL shall agree to follow the stipulations and guidelines stated in the Operational Procedure Manual and its addenda and related notices, listed in the Schedules annexed to the Operational Procedure Manual.
6. LCPL and SLIPS Secondary participants shall make arrangements to clear and settle payment orders of such participants only through SLIPS Primary Participants.

C. Responsibilities of LCPL

1. LCPL shall be the sole operator of the SLIP system.
2. LCPL shall be responsible for operating SLIPS daily on business days, at its registered office announced with the concurrence of the CBSL or at its Disaster Recovery Site (DRS), in the event of a critical operational failure at the primary site.
3. LCPL shall be responsible for installation, set-up, maintenance, operation, security and access control of the SLIPS and any other systems necessary to establish and maintain connectivity between the SLIPS and the SLIPS communication network.
4. LCPL shall operate the SLIP System, facilitating the clearing and settlement of transactions for SLIPS Participants according to the principle of multilateral clearing, by calculating net claims and liabilities on the basis of the Payment Orders submitted by SLIPS participants.
5. LCPL shall treat all sensitive or restricted information, including participants' payment information, technical and organizational information, as confidential, unless the participant consents to disclosure in writing, or unless the disclosure of data and information is required by any written law.
6. LCPL shall make available to the CBSL, the SLIPS multilateral settlement batch files setting out net clearing position of each SLIPS Primary Participant on or before the Settlement Times of each Clearing Cycle set out by the CBSL and such other aggregated statistical information that the CBSL may require in respect of the operation of the SLIP System.
7. LCPL shall develop and issue the SLIP System Rules with the concurrence of the CBSL and an Operational Procedure Manual for the SLIP system. Such rules and operational procedures of SLIP System shall be laid down clearly and comprehensively. System Rules and Operational Procedure Manual issued by LCPL shall govern the operations and administration of the SLIP system and shall be binding between LCPL and SLIPS participants.
8. LCPL shall amend the System Rules with the concurrence of the CBSL and/or Operational Procedure Manual as and when necessary and inform such amendments to SLIP system participants by way of circulars.
9. LCPL shall ensure that all transactions transmitted through the SLIPS are:
 - i. Compliant with security measures to ensure secure and authenticated transmission; and
 - ii. Archived in accordance with the Financial Transaction Reporting Act No. 6 of 2006.
10. LCPL shall be responsible for observing and performing its duties, obligations and undertakings in respect of SLIPS operations in accordance with the standard of competence, skill and knowledge, and the standard of prudence, care and diligence.
11. LCPL shall establish and maintain a Help Desk at LCPL to assist SLIP System participants to address any service difficulties encountered. The Help Desk shall be available throughout the business day and contact details shall be given in the Operational Procedure Manual.
12. The Board of Directors of LCPL represented by all commercial banks and the CBSL, shall reserve the right to revise the fees from time to time.
13. A schedule containing penalties and fines in respect of non-conformity and breach of rules shall be determined by the Board of Directors of LCPL in consultation with the CBSL and shall be communicated to SLIPS participants from time to time.
14. LCPL shall conduct training, awareness and education programmes on SLIP system on continuous basis to SLIPS participants and the general public.

D. Responsibilities of SLIPS Participants

Every SLIPS Participant shall;

1. not operate or participate in any national level inter-bank payment and clearing system which centrally clears retail payments, other than the retail payments and clearing systems operated by the LCPL.
2. be responsible for procuring their own hardware, software, and network infrastructure.
3. ensure that the hardware and software procured is available to receive and execute transactions under the SLIP System with provisions to future enhancements and take all necessary steps to maintain such hardware and software in good working order.
4. be responsible for the compliance of file format and defined transaction flows, and for the correct and accurate submission and finalization of the payment orders of Customers and SLIPS Participants in a timely manner, and for the authenticity of all payment orders.
5. be responsible to safeguard the SLIP System and conform to and observe all security features and instructions issued by LCPL to SLIPS Participants and ensure that any act/s or omission/s do not threaten or cause prejudice to the security of the overall SLIP System or to the security of the system of any other SLIPS Participant.
6. ensure that unauthorized access (hacking, traffic generating, sniffing etc.) and other activities that effect change/damage and corrupt the SLIP System are prevented.
7. inform the CBSL and LCPL of any change in its legal status and capacity to participate in the SLIP System.
8. ensure that adequate funds are available in their RTGS settlement accounts to settle SLIPS multilateral net settlement batch in the RTGS System at the end of each Settlement Cycle.
9. set up a procedure and/or mechanism to acknowledge the completion or non-completion of a Money Transmission through the SLIP System to the Customer.
10. adhere to technical, legal, administrative, security and other requirements specified by LCPL from time to time in respect of the SLIP System.
11. ensure crediting of the account of the Beneficiary or tendering Monetary Value to the Beneficiary, to the extent of the value of the Payment Order, on the receipt of relevant SLIPS Data from LCPL, on Value Date of the Payment Order.
12. set up service norms and standards and maintain infrastructure to provide facilities stated in 11 above.
13. be responsible for making regular backups of databases and all its information and data relating to SLIP System.
14. reconcile the daily transaction reports and inform the LCPL Help Desk in writing of any discrepancies not later than one Business Day from the time of the original transaction.
15. comply with applicable laws, instructions and procedures specified by LCPL or any other direction issued by the CBSL in relation to the operations of the SLIP System.
16. notify the Financial Intelligence Unit (FIU) of the CBSL if there is any unusual increase in the number and value of payment orders received for execution through the SLIP system from a particular customer, in terms of the Financial Transactions Reporting Act No.06 of 2006 and act according to the instructions of FIU.

E. Business Continuity Planning

1. LCPL and SLIPS participants shall have well defined business continuity plans for SLIP System operations endorsed by the respective Board of Directors to ensure a very high level of system availability which is required for a system-wide important payment system.
2. LCPL and SLIPS participants shall have fully equipped disaster recovery sites and well trained disaster management and business recovery teams for SLIP System to resume business operations immediately after a disruption, to continue and complete the ongoing SLIPS operations.

3. LCPL shall have a skilled and trained backup staff in respect of core functionalities of the SLIPS to be deployed in contingency situations, including labour disputes in order to ensure carrying out SLIPS operations without any interruption.
4. If LCPL experiences any technical or operational problem that prevents from performing its functions in the SLIPS, such problem shall be conveyed to the CBSL within 15 minutes of becoming aware of the problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform the CBSL and commence SLIPS operations at DRS and submit the SLIPS multilateral net settlement batch file to the CBSL. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform the CBSL immediately and shall use alternative methods to derive the SLIPS multilateral net settlement for the time period from the last statement cycle to the time of the failure of the system and shall make available the same to the CBSL.
5. SLIPS participants shall be responsible for making regular backups of its databases and all its information and data relating to SLIPS and for establishing and maintaining data redundancy and recovery procedures in the event of system failure or data corruption or loss, in order to meet cut-off times.

F. Confidentiality of the SLIPS data and records

1. SLIPS participants shall maintain confidentiality in respect of all SLIPS records, including information relating to transactions, accounts and any instructions issued to SLIPS participants and shall ensure that its officers, employees, agents and/or any person employed in any capacity, at all times maintain confidentiality in accordance with this direction and applicable laws.
2. LCPL and all SLIPS participants shall subject themselves jointly and severally to the control, supervision, regulation and oversight of the CBSL in the exercise of any or all its functions and powers from time to time vested by law or otherwise, on the operations of SLIPS and shall comply with all orders and directions of the CBSL thereto.
3. In furtherance of and without prejudice to the foregoing, CBSL may from time to time and at any time require LCPL and SLIPS participants to provide such information in respect of SLIP system, and LCPL and SLIPS participants shall be bound to provide such information to the CBSL.
4. All reports and information from LCPL and SLIPS participants to the CBSL in respect of SLIPS pursuant to the provisions of this direction shall deem to be accurate and complete.

G. Dispute Resolution

1. LCPL and SLIPS participants shall make every endeavor to resolve any dispute arising between the LCPL and the SLIPS participants and/or between SLIPS participants in relation to operations of the SLIPS, through mutual discussions, negotiations or mediation.
2. Dispute resolution by way of arbitration or litigation before a Court of Law shall be resort to only if such mutual discussions, negotiations or mediation have failed to resolve the dispute in question.
3. The procedure for such mutual discussions, negotiations or mediation and arbitration shall be laid down clearly and comprehensively in the SLIP System Rules.

H. Offences

Any person who fails to comply with this direction or any directive, instruction or rule made hereunder shall be guilty of an offence under the Payment and Settlement Systems Act No. 28 of 2005.

Payment and Settlement Systems General Direction No. 02 of 2022 - Operations of 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.

Mrs. T. M. J. Y. P. Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo
28 February 2022

General Direction No. 02 of 2022 - Operations of the Common ATM Switch

This direction may be cited as the General Direction No. 02 of 2022 - Operations of the Common ATM Switch and shall replace the General Direction No. 01 of 2013 - Operations of the Common ATM Switch. This Direction shall apply to LankaClear (Pvt.) Ltd. (LCPL) and the Members of the Common ATM Switch and shall come into operation on 28 February 2022.

2. Definitions

In this Direction, unless the context otherwise requires:

- 2.1 **"ATM" or "Automated Teller Machine"** means a cardholder activated terminal that uses PIN verification and is online for all transactions.
- 2.2 **"CBSL"** means the Central Bank of Sri Lanka established under the Monetary Law Act, No. 58 of 1949 (Chapter 422).
- 2.3 **"CAS" or "Common ATM Switch"** means an electronic payment system operated by LCPL, which facilitates the communication and processing of cash withdrawals, balance inquiries and any other ATM services and shall include LCPL systems, processes, and procedures for the electronic data transfer and authorization of payments sought to be effected by a CAS Member.
- 2.4 **"CAS Member"** means a Primary Member and a Secondary Member of CAS.
- 2.5 **"Clearing Cycle"** means the time duration from one settlement time to the next immediate settlement time which are predefined by LCPL.
- 2.6 **"Operational Procedure Manual"** means the document prepared by LCPL containing the procedures laid down for the guidance of LCPL and CAS Members as regards to the operations of CAS.
- 2.7 **"Primary Member"** means any licensed commercial bank or any licensed specialized bank which is a participant in the RTGS System and approved by CBSL and LCPL to be a CAS Member.
- 2.8 **"RTGS System"** means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.
- 2.9 **"Secondary Member"** means any legal entity authorized by a Primary Member to execute CAS transactions and to settle net balances through the RTGS account of such Primary Member and approved by CBSL and LCPL to be a CAS Member.
- 2.10 **"Membership Agreement"** means an agreement entered into by a CAS Member with LCPL.

3. Responsibilities of LCPL and a CAS Member:

- 3.1 Every CAS Member and LCPL shall enter into a Membership Agreement relating to participation in and operations of CAS.
- 3.2 Every CAS Member and LCPL shall adhere to the arrangements between them in respect of operations of CAS, including those in the form of rules, procedures and such other arrangements prescribed by LCPL from time to time.
- 3.3 Every CAS Member and LCPL shall agree to follow the stipulations and guidelines of the Operational Procedure Manual.
- 3.4 Every CAS Member and LCPL shall comply with the limits imposed by CBSL, if any, on fees chargeable in respect of CAS transactions.

4. Responsibilities of LCPL

- 4.1 LCPL shall be the sole operator of CAS.
- 4.2 LCPL shall be responsible for;
 - 4.2.1 operating CAS on around the clock basis every day;
 - 4.2.2 granting Primary and Secondary Memberships in CAS to eligible entities with the approval of CBSL;
 - 4.2.3 setting out clear and comprehensive System Rules with the approval of the Director, Payments and Settlements (D/PSD) of CBSL. The System Rules issued by LCPL shall stipulate, among other things, powers, rights, duties and obligations of LCPL and CAS Members, conditions for participation including joining, withdrawal, termination and suspension, operational requirements, dispute resolution mechanisms and conditions for maintaining confidentiality of information;

- 4.2.4 defining the specifications, standards, security features and audit compliances which are applicable to the operations of CAS;
- 4.2.5 making available to CBSL, CAS multilateral net settlement batch files setting out the net position of every CAS Member on or before the cut-off times set out by CBSL;
- 4.2.6 entering into and termination of agreements and contracts with any service provider relating to the operations of CAS;
- 4.2.7 adopting a uniform fees and penalties structure which may be amended by LCPL from time to time subject to the clause 3.4 hereof;
- 4.2.8 complying with reporting requirements of CBSL in respect of the operations of CAS and related matters.

5. Responsibilities of CAS Members

Every CAS Member shall;

- 5.1 be responsible for procuring hardware, software and network infrastructure that are fully compliant with LCPL specifications;
- 5.2 be responsible for proper maintenance of its ATMs and ensuring that sufficient cash is available in each of its ATMs at all times;
- 5.3 be responsible to safeguard CAS system and conform to and observe all security features and instructions issued by LCPL;
- 5.4 adhere to technical, administrative and other requirements specified by LCPL from time to time;
- 5.5 ensure that adequate funds are available in its RTGS settlement account to settle CAS multilateral net settlement batch in the RTGS System at the cut-off times specified by CBSL;
- 5.6 be responsible for making regular backups of databases and all its information and data relating to the operations of CAS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss;
- 5.7 reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;
- 5.8 adhere to the System Rules of CAS set out by LCPL;
- 5.9 comply with fees and penalties structure notified by LCPL.

6. Business Continuity Planning

- 6.1 LCPL and CAS Members shall have a well defined business continuity plan for the operations of CAS approved by the respective Boards of Directors to ensure availability of CAS service at all times.
- 6.2 LCPL and CAS Members shall have a fully equipped Disaster Recovery Site (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.
- 6.3 LCPL shall have a skilled and trained backup staff in respect of core functionalities of CAS to be deployed in contingency situations, including labour disputes, in order to ensure carrying out operations without any interruption.
- 6.4 If LCPL experiences any technical or operational problem that prevents from performing its functions of CAS, such problem shall be conveyed to CBSL immediately after becoming aware of such problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform CBSL and commence operations at DRS and submit the CAS multilateral net settlement batch file to CBSL from DRS. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform CBSL immediately and shall use alternative methods to derive the CAS multilateral net settlement for the time period from the last clearing cycle to the time of the failure of the system and shall make available the same to CBSL.

7. Confidentiality

- 7.1 LCPL and CAS Members shall maintain confidentiality in respect of all data, information and records and shall ensure that its officers, employees, agents and/or any person employed in any capacity at all times maintain confidentiality in accordance with applicable laws.

- 7.2 LCPL and CAS Members shall subject themselves jointly and severally to the control, supervision, regulation and oversight of CBSL in the exercise of any or all of its functions and powers from time to time vested by law or otherwise, on the operations of CAS and shall comply with all instructions, orders and directions of CBSL.
- 7.3 In furtherance of and without prejudice to the foregoing, D/PSD of CBSL may from time to time and at any time require LCPL and CAS Members to provide such information in respect of the operations of CAS and LCPL and CAS Members shall provide such information to D/PSD of CBSL.
- 7.4 All reports and information from LCPL and CAS Members to D/PSD of CBSL in respect of the operations of CAS shall be accurate and correct.

8. General

- 8.1 This direction is in addition to and not in derogation of any other written law, and rules, regulations, terms and conditions to which LCPL and CAS Members are subject to and/or may be subject to from time to time.
- 8.2 Without prejudice to the generality of the above paragraph, this direction shall not be construed to limit any obligation or responsibility imposed by the Payment and Settlement Systems Act, No. 28 of 2005.

Payment and Settlement Systems General Direction No. 03 of 2022 - Operations of the Common Electronic Fund Transfer 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.

Mrs. T. M. J. Y. P. Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo
28 February 2022

General Direction No. 03 of 2022 - Operations of the Common Electronic Fund Transfer Switch

This direction may be cited as the General Direction No. 03 of 2022 - Operations of the Common Electronic Fund Transfer Switch and shall replace the General Direction No. 01 of 2018 - Operations of the Common Electronic Fund Transfer Switch. This Direction shall apply to LankaClear (Pvt.) Ltd. (LCPL) and Members of the Common Electronic Fund Transfer Switch (CEFTS) and shall come into operation on 28 February 2022.

2. Definitions

In this Direction, unless the context otherwise requires:

- 2.1 **"Common Electronic Fund Transfer Switch"** or **"CEFTS"** means an electronic system operated by LCPL, which facilitates domestic interbank real-time fund transfers and shall include systems, processes, and procedures for switching and clearing of fund transfers between CEFTS members.
- 2.2 **"CEFTS Member"** means a Primary Member or a Secondary Member of CEFTS.
- 2.3 **"CEFTS System"** means systems and processes operated and maintained by LCPL for CEFTS including without any limitation, systems for dispatching, receiving, processing and archival of CEFTS data.
- 2.4 **"Clearing Cycle"** means the time period predefined by LCPL with the concurrence of Director, Payments and Settlements (D/PSD) of the Central Bank of Sri Lanka (CBSL) for netting of transactions for settlement.
- 2.5 **"Customer"** means any legal or natural person, who issues or directs a payment order and authorizes the CEFTS member to debit the respective account or tenders monetary value to the extent of the value of the payment order to the respective CEFTS member.
- 2.6 **"Operational Procedure Manual"** means the document prepared by LCPL containing the procedures laid down for the guidance of CEFTS Members as regards to the operations of CEFTS.
- 2.7 **"Primary Member"** means any licensed commercial bank or any licensed specialized bank which is a participant in the RTGS System and approved by the CBSL and LCPL to be a CEFTS Member.
- 2.8 **"RTGS System"** means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.

- 2.9 **“Secondary Member”** means any legal entity approved by CBSL and LCPL to be a CEFTS Member and which has made arrangements with a Primary Member to settle net balances through the RTGS account of such Primary Member.
- 2.10 **“Member Agreement”** means an agreement entered into by a CEFTS Member with LCPL relating to CEFTS.

3. Responsibilities of LCPL and a CEFTS Member:

- 3.1 Every CEFTS Member and LCPL shall enter into a Member Agreement relating to participation in and operations of CEFTS.
- 3.2 Every CEFTS Member and LCPL shall adhere to the arrangements between them in respect of operations of CEFTS, including those in the form of rules, procedures and such other arrangements prescribed by LCPL from time to time.
- 3.3 Every CEFTS Member and LCPL shall agree to follow the stipulations and guidelines of the Operational Procedure Manual.
- 3.4 Every CEFTS Member and LCPL shall comply with the limits imposed by CBSL, if any, on fees chargeable in respect of CEFTS transactions.

4. Responsibilities of LCPL

- 4.1 LCPL shall be the sole operator of CEFTS.
- 4.2 LCPL shall be responsible for;
- 4.2.1 operating CEFTS on around the clock basis every day;
 - 4.2.2 granting Primary and Secondary Memberships in CEFTS to eligible entities with the approval of D/PSD;
 - 4.2.3 setting out clear and comprehensive System Rules with the approval of D/PSD of CBSL. The System Rules issued by LCPL shall stipulate, among other things, powers, rights, duties and obligations of LCPL and CEFTS Members, conditions for participation including joining, withdrawal, termination and suspension, operational requirements, dispute resolution mechanisms and conditions for maintaining confidentiality of information. LCPL shall amend System Rules as and when necessary with the concurrence of D/PSD of CBSL;
 - 4.2.4 defining the specifications, standards, security features and audit compliances which are applicable to the operations of CEFTS;
 - 4.2.5 making available to CBSL, CEFTS multilateral net settlement batch files setting out the net position of every CEFTS Member on or before the cut-off times set out by CBSL;
 - 4.2.6 entering into agreements and contracts properly with any service provider relating to the operations of CEFTS;
 - 4.2.7 adopting a uniform fees and penalties structure which may be amended by LCPL from time to time subject to the clause 3.4 hereof;
- 4.3 LCPL shall comply with reporting requirements of CBSL in respect of the operations of CEFTS and related matters;
- 4.4 LCPL shall conduct training, awareness and education programmes on CEFTS, as and when necessary, to CEFTS Members and the general public.

5. Responsibilities of CEFTS Members

- 5.1 A CEFTS Member shall not engage in any national level interbank clearing and settlement system, other than the clearing systems operated by LCPL.
- 5.2 Every CEFTS Member shall;
- 5.2.1 adhere to the System Rules of CEFTS set out by LCPL;
 - 5.2.2 adhere to technical, administrative and other requirements for the smooth operations of CEFTS specified by LCPL from time to time;
 - 5.2.3 establish a procedure and/or mechanism to acknowledge the completion or non completion of the transaction through CEFTS to the customer in real time;
 - 5.2.4 ensure that adequate funds are available in its RTGS settlement account to settle CEFTS multilateral net settlement batch in the RTGS System at the cut-off times specified by CBSL;
 - 5.2.5 be responsible for making regular backups of databases relating to the operations of CEFTS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss at the primary site;

- 5.2.6 reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;
- 5.2.7 adhere to transaction limits specified by LCPL with the approval of CBSL with regard to CEFTS;
- 5.2.8 comply with reporting requirements of CBSL in respect of the operations of CEFTS and related matters;
- 5.2.9 report transactions effected through CEFTS to the Financial Intelligence Unit (FIU) of CBSL as per the regulations issued in terms of the Financial Transaction Reporting Act, No. 06 of 2006 and act according to the instructions of FIU.

6. Business Continuity Planning

- 6.1 LCPL and CEFTS Members shall have a well defined business continuity plan for the operations of CEFTS approved by the respective Boards of Directors to ensure availability of CEFTS service at all times.
- 6.2 LCPL and CEFTS Members shall have a fully equipped Disaster Recovery Site (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.
- 6.3 LCPL shall have a skilled and trained backup staff in respect of core functionalities of CEFTS to be deployed in contingency situations in order to ensure carrying out operations without any interruption.
- 6.4 If LCPL experiences any technical or operational problem that prevents from performing its functions of CEFTS, such problem shall be conveyed to CBSL immediately after becoming aware of such problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform CBSL and commence operations at DRS and submit the CEFTS multilateral net settlement batch file to CBSL from DRS. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform CBSL immediately and shall adopt alternative methods to derive the CEFTS multilateral net settlement for the time period from the end of the last settled Clearing Cycle to the time of the failure of the system and shall make available the same to CBSL.

7. Confidentiality

LCPL and every CEFTS Member shall maintain confidentiality in respect of all data, information and records and shall ensure that its officers, employees, agents and/or any person employed in any capacity maintain confidentiality, at all times.

8. General

- 8.1 In furtherance of and without prejudice to the foregoing, CBSL may from time to time and at any time require LCPL and CEFTS Members to provide such information in respect of the operations of CEFTS and LCPL and CEFTS Members shall provide such information to CBSL.
- 8.2 This direction is in addition to and not in derogation of any other written law, and rules, regulations, directions, terms and conditions to which LCPL and CEFTS Members are subject to and/or may be subject to from time to time.
- 8.3 Without prejudice to the generality of the above paragraph, this direction shall not be construed to limit any obligation or responsibility imposed on the CEFTS Members by the Payment and Settlement Systems Act, No. 28 of 2005 or any rule, regulation, instruction, directive or order issued or given thereunder or any other written law.

Payment and Settlement Systems General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales 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.

Mrs. T. M. J. Y. P. Fernando
Deputy Governor
Central Bank of Sri Lanka

Colombo
 28 February 2022

General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales Switch

This Direction may be cited as the General Direction No. 04 of 2022 - Operations of the Common Point-of-Sales Switch and shall apply to Members of the Common Point-of-Sales Switch (CPS) and LankaClear (Pvt.) Ltd. (LCPL). CPS is an electronic system operated by LCPL that links Point-of-Sales (POS) switches of its members to facilitate switching and clearing of not-on-us POS transactions. This Direction shall replace the General Direction No. 02 of 2018 - Operations of the Common Point-of-Sales Switch and shall come into operation on 28 February 2022.

2. Definitions

In this Direction, unless the context otherwise requires:

- 2.1 **"CPS Member"** means a Primary Member or a Secondary Member of CPS.
- 2.2 **"Clearing Cycle"** means the time period determined by Director, Payments and Settlements (D/PSD) of the Central Bank of Sri Lanka (CBSL) for netting of transactions for settlement.
- 2.3 **"Not-on-Us POS Transaction"** means a transaction originated at a CPS Member's POS terminal by a customer of another CPS Member.
- 2.4 **"Operational Procedure Manual"** means the document prepared by LCPL containing the procedures laid down for the guidance of CPS Members as regards to the operations of CPS.
- 2.5 **"Primary Member"** means any licensed commercial bank or any licensed specialized bank which is a participant in the RTGS System and approved by CBSL and LCPL to be a CPS Member.
- 2.6 **"RTGS System"** means the Real Time Gross Settlement System, which is a fully automated payment system owned and operated by CBSL.
- 2.7 **"Secondary Member"** means any legal entity approved by CBSL and LCPL to be a CPS Member and which has made arrangements with a Primary Member to settle net balances through the RTGS account of such Primary Member.
- 2.8 **"Member Agreement"** means an agreement entered into by a CPS Member with LCPL relating to CPS.

3. Responsibilities of LCPL and a CPS Member:

- 3.1 Every CPS Member and LCPL shall enter into a Member Agreement relating to participation in and operations of CPS.
- 3.2 Every CPS Member and LCPL shall agree to follow the stipulations and guidelines of the Operational Procedure Manual.
- 3.3 Every CPS Member and LCPL shall adhere to the arrangements between them in respect of operations of CPS, including those in the form of rules, procedures and such other arrangements prescribed by LCPL from time to time.
- 3.4 Every CPS Member and LCPL shall comply with the limits imposed by CBSL, if any, on fees chargeable in respect of CPS transactions.

4. Responsibilities of LCPL

- 4.1 LCPL shall be the sole operator of CPS.
- 4.2 LCPL shall be responsible for;
 - 4.2.1 operating CPS on around the clock basis every day;
 - 4.2.2 granting Primary and Secondary Membership in CPS to eligible entities with the approval of D/PSD of CBSL;
 - 4.2.3 setting out clear and comprehensive System Rules with the approval of D/PSD of CBSL. The System Rules issued by LCPL shall stipulate, among other things, responsibilities of LCPL and CPS Members, conditions for participation including joining, withdrawal, termination and suspension, operational requirements, dispute resolution mechanisms and conditions for maintaining confidentiality of information. LCPL shall amend System Rules as and when necessary with the approval of D/PSD of CBSL;
 - 4.2.4 making available to CBSL, CPS multilateral net settlement batch files for settlement of CPS transactions, on or before the cut-off times set out by CBSL; and
 - 4.2.5 adopting a uniform structure for fees and charges which may be amended by LCPL from time to time subject to the limits imposed by CBSL, if any, on fees chargeable in respect of CPS transactions.
- 4.3 LCPL shall comply with reporting requirements of CBSL in respect of the operations of CPS and related matters.

5. Responsibilities of CPS Members

- 5.1 Every CPS Member shall;
 - 5.1.1 adhere to the System Rules of CPS set out by LCPL;
 - 5.1.2 adhere to technical, administrative and other requirements for the smooth operations of CPS specified by LCPL from time to time;
 - 5.1.3 be responsible for making regular backups of databases relating to the operations of CPS and establishing and maintaining recovery procedures in the event of system failure or data corruption or loss at the primary site;
 - 5.1.4 reconcile the daily transaction reports and inform LCPL in writing of any discrepancy within 24 hours of receipt of the settlement report;
 - 5.1.5 comply with reporting requirements of CBSL in respect of the operations of CPS and related matters;
- 5.2 Every CPS Primary Member shall ensure that adequate funds are available in its RTGS settlement account to settle CPS multilateral net settlement batch in the RTGS System at the cut-off times specified by CBSL. In the event a CPS Primary Member does not comply with this clause, CBSL may take action in accordance with the LankaSettle System Rules.

6. Business Continuity Planning

- 6.1 LCPL and CPS Members shall have well defined business continuity plans for the operations of CPS approved by the respective Boards of Directors to ensure availability of CPS service at all times.
- 6.2 LCPL and CPS Members shall have fully equipped Disaster Recovery Sites (DRS) and well trained disaster management and business recovery teams to ensure uninterrupted operations.
- 6.3 LCPL shall have skilled and trained backup staff in respect of core functionalities of CPS to be deployed in contingency situations in order to ensure carrying out operations without any interruption.
- 6.4 If LCPL experiences any technical or operational problem that prevents from performing its functions of CPS, such problem shall be conveyed to CBSL immediately after becoming aware of such problem. In the event of an unrecoverable failure at the primary site, LCPL shall immediately inform CBSL and commence operations at DRS and submit the CPS multilateral net settlement batch file to CBSL from DRS. In the event of a prolonged unrecoverable failure at both primary site and DRS, LCPL shall inform CBSL immediately and shall adopt alternative methods to derive the CPS multilateral net settlement amounts for the time period from the end of the last settled Clearing Cycle to the time of the failure of the system and shall make available the same to CBSL.

7. Confidentiality

LCPL and every CPS Member shall maintain confidentiality in respect of all data, information and records and shall ensure that its officers, employees, agents and/or any person employed in any capacity maintain confidentiality, at all times.

8. General

- 8.1 In furtherance of and without prejudice to the foregoing, CBSL may from time to time and at any time require LCPL and CPS Members to provide such information in respect of the operations of CPS and LCPL and CPS Members shall provide such information to CBSL.
- 8.2 This Direction is in addition to and not in derogation of any other written law, and rules, regulations, directions, terms and conditions to which LCPL and CPS Members are subject to and/or may be subject to from time to time.
- 8.3 Without prejudice to the generality of the above paragraph, this Direction shall not be construed to limit any obligation or responsibility imposed on the CPS Members by the Payment and Settlement Systems Act, No. 28 of 2005 or any rule, regulation, instruction, directive or order issued or given thereunder or any other written law.

Ref. 34/07/029/0001/002

10 May 2022

Payment and Settlement Systems Circular No. 02 of 2022

To: All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM ON 11.05.2022

The following Daily Operating Schedules will be followed on 11.05.2022.

Schedule 1: For Value date 10.05.2022

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 10.05.2022	System opens for effecting transactions of 10.05.2022.
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 10.05.2022) SLIPS Cycles 1 & 2 (of 10.05.2022)
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.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycles 1& 2 (of 10.05.2022) Common Electronic Fund Transfer Switch (CEFTS) Cycles 1& 2 (of 10.05.2022) Common POS Switch (CPS) Cycles 1& 2 (of 10.05.2022)
0900 hrs.	MLNS Batch from LankaClear	CAS Cycles 3& 4 (of 10.05.2022) CEFTS Cycles 3& 4 (of 10.05.2022) CPS Cycles 3& 4 (of 10.05.2022)
0900 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF. (to be matured on 10.05.2022)
0915 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3(of 10.05.2022) Settlement Clearing and Adjustment Clearing (of 10.05.2022)
0925 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. (for 10.05.2022)
0930 hrs.	MLNS Batch from LankaClear	CAS Cycle 5 (of 10.05.2022) CEFTS Cycle 5 (of 10.05.2022) CPS Cycle 5 (of 10.05.2022)
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.
0945 hrs.	SDF	Settlement of first leg of SDF
1045 hrs.	SLF	Settlement of first leg of SLF.
1050 hrs.	ILF Repayment	Repayment of ILF.
1100 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.
1100 hrs. to 1115 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1115 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Note: Forex transactions value dated 10.05.2022 done with the Central Bank should be settled by 1000 hrs. on 11.05.2022

Schedule 2: For value date 11.05.2022

TIME	EVENT	ACTIVITIES /TRANSACTIONS
1200 hrs. to 1215 hrs.	System start-up	Start-up of RTGS/SSS applications.
1215 hrs. to 1230 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
1230 hrs.	LankaSettle System opens for business for 11.05.2022	System opens for effecting transactions of 11.05.2022.
1230 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
1245 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.
1300 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. (of 11.05.2022) SLIPS Cycles 1 & 2 (of 11.05.2022)
1315 hrs.	MLNS Batch from LankaClear	CAS Cycles 1& 2 (of 11.05.2022)
1330 hrs.	MLNS Batch from LankaClear	CEFTS Cycles 1& 2 (of 11.05.2022) CPS Cycles 1& 2 (of 11.05.2022)
1345 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF. (to be matured on 11.05.2022)
1400 hrs.	MLNS Batch from LankaClear	CAS Cycle 3 (of 11.05.2022) CEFTS Cycle 3 (of 11.05.2022) CPS Cycle 3 (of 11.05.2022)
1430 hrs	Short Term Repos/ Rev.Repo (Auction)	Settlement of First Log of Short Term Repos/ Revers Repos under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing. (of 11.05.2022)
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. (for 11.05.2022)
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3 (of 11.05.2022) CAS Cycle 4 (of 11.05.2022)
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4 (of 11.05.2022) CPS Cycle 4 (of 11.05.2022)
1530 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1530 hrs.
1545 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1545 hrs.
1545 hrs.	MLNS Batch from LankaClear	CAS Cycle 5 (of 11.05.2022) CEFTS Cycle 5 (of 11.05.2022) CPS Cycle 5 (of 11.05.2022)
1545 hrs.	SDF	Settlement of first leg of SDF
1600 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.

M R Wijewardene

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

20 June 2022

Payment and Settlement Systems Circular No. 03 of 2022

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)

The Central Bank of Sri Lanka (CBSL) has decided to revise the multi-tiered Liability Manager (LM) limit structure for CAS and CEFTS given in the Payment and Settlement Systems Circular No. 19 of 2020 issued on 27 November 2020, in order to include the National Savings Bank (NSB) who has obtained the participant status in the LankaSettle system and the Primary Membership of CAS and CEFTS. The 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. 19 of 2020 and shall be effective from 27 June 2022.

Yours sincerely,

M. R. Wijewardane

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**

National Savings Bank
Deutsche Bank AG
Citibank N A
MCB Bank Ltd
State Bank of India
Habib Bank Ltd
Public Bank Berhad
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.

Ref. 34/01/024/0106/06

18 July 2022

Payment and Settlement Systems Circular No. 04/2022

To : All Participants of the LankaSettle System

**LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE (DRS)
ON 22 JULY 2022**

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 on 22 July 2022 (Friday) 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 21 July 2022 to ensure the readiness. The following officers of CBSL IT Department will act as points of contact for IT matters during this BCP exercise.

- Mr. Bilesh Koggalahewa – 011-2398841 (bilesh@cbsl.lk)
- Mr. Nipuna Samaradiwakara- 011-2398887 (nipunas@cbsl.lk)

Please instruct all operational officers of your institution to contact above officers through the nominated BCP officer of your institution.

K V K Alwis

Director

Payments and Settlements

Copy: Secretary General – Sri Lanka Banks' Association } for information, please
 President- Association of Primary Dealers }
 CEO- LankaClear Pvt. Ltd. } For necessary support for
 CEO- Lanka Financial Services Bureau Ltd. } Participants if required

Regional Development Department

Operating Instructions No: RDD/PR/2010/03 (A-7)

Regional Development Department
 Central Bank of Sri Lanka
 P.O. Box 590
 No. 30, Janadhipathi Mawatha
 Colombo 01
 20 May 2022

To: All Participating Financial Institutions (PFIs)

AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE PROSPERITY LOAN SCHEME (SAUBAGYA) – INCREASE OF THE INTEREST RATE APPLIED FOR SUB-LOANS

This refers to the Operating Instructions (OIs) No. RDD/PR/2010/03 dated 22.03.2010 (as amended) issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for the Prosperity Loan Scheme (Saubagya).

Considering the significant increase of interest rates in the market and current economic content, the CBSL decided to amend above OIs as follows.

Inclusion of a new section

3.2 Loan Limits : PFIs shall be ensured that 80% of the new loans in minimum are related to the agriculture, livestock, fisheries, and related activities from the date of this OIs which shall be calculated in half yearly basis.

Amendment to the Existing Section

3.6 Rate of interest on refinance loans to PFIs : 4 per cent per annum (4% p.a.)

3.7 Rate of interest for sub – loans : 9 per cent per annum (9% p.a.)

The above amendments will be effective from 20 May 2022 and all other clauses of 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.

M.S.K Dharmawardhana

Director/Regional Development

Operating Instructions No: RDD/STaRR-IS/2019/01-(Amendment 1)

Regional Development Department
 Central Bank of Sri Lanka
 No. 30, Janadhipathi Mawatha
 Colombo 01
 Tel : 2477452, 2398748
 Fax : 2477724
 27th May 2022

To: All PFIs

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF “SMALLHOLDER TEA AND RUBBER
 REVITALIZATION (STARR) INTEREST SUBSIDY SCHEME”**

All Participating Financial Institutions (PFIs) of the STaRR Interest Subsidy Scheme are hereby informed that the Operating Instructions No. RDD/STaRR-IS/2019/01 dated 13.11.2019, (herein after referred to as “**Principal Operating Instructions**”), issued by the Director, Regional Development Department of the Central Bank of Sri Lanka are amended as follows;

I. **Clause 1** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:

1. Introduction

With the main objective of revitalizing the smallholder tea and rubber industry in Sri Lanka by encouraging replanting of tea, new planting of rubber and related activities, the Government of Sri Lanka (GOSL) has made arrangements with the International Fund for Agricultural Development (IFAD) to implement Smallholder Tea and Rubber Revitalization (STaRR) Project.

STaRR Project which is jointly funded by GOSL and IFAD, is implemented by the Project Management Unit (PMU) of the STaRR Project. The implementation period of the STaRR Project is 2016 to 2022.

STaRR Interest Subsidy Scheme (the Scheme) implemented by the Central Bank of Sri Lanka (CBSL), is introduced under the “Component C: Inclusive Rural Finance” of the STaRR Project and is effective from 15.10.2019 to 31.12.2025.

2. **Clause 6.5** of Principal Operating Instructions is hereby repealed, and the following clause is substituted therefor: -

Interest Subsidy to PFIs - 4.0 per cent per annum for the period from 01.11.2021 to 31.05.2022 and 7.0 per cent per annum for the period from 01.06.2022 to 31.12.2022 PFIs will be provided with interest subsidy quarterly by the GOSL through CBSL, as specified in the Section 12.3 in the Operating Instructions.

3. **Clause 11.2** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

“The PFIs shall not grant Sub — loans under the scheme after 31.12.2022. However, interest subsidy for the loans granted under the STaRR Interest Subsidy Scheme will be provided until settle all the interest subsidy claims of PFIs”.

This amendment to the Operating Instructions of the STaRR Interest Subsidy Scheme will be effective from 01.11.2021 All other terms and conditions of Principal Operating Instructions of the Loan Scheme will remain unchanged.

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

Operating Instructions No: RDD/NCRCS/2011/2022/01

13 June 2022

To: All Participatory Financial Institutions (PFIs)

Dear Sir/ Madam

AMENDMENTS TO THE OPERATING INSTRUCTIONS OF NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS)

All PFIs are hereby informed that the Operating Instructions No. RDD/NCRCS/2011 dated 23 September 2011, subsequently amended on 10 January 2016, 06 July 2015, 22 August 2016, 08 April 2020, 05 April 2021 and 20 April 2021 are amended as follows.

1. Rate of Interest

Subsidized interest rate portion paid by the GOSL	Interest rate applicable to the end borrower	Effective rate applicable to the PFI
7%	8%	15%

2. Scale of Finance - As per the Annex I

The above amendments shall be applicable with effect from 15 June 2022 and all other terms and conditions stipulated in the Operating Instructions of the NCRCS will remain unchanged.

Please bring the contents of the amendments to the notice of the officers of the relevant departments/ branches of your bank

M S K Dharmawardane
Director, Regional Development

Annexure I

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS Scales of Finance for the Eligible Crops

Crop & Code		"Land Preparation Rs."	"Seed Nursery and Planting Rs."	"Fertilizer Rs."	"Chemical (Pest/Weed/fungus) Rs."	"Others Rs."	"Total Cost Rs."	"Maximum-Loan Limit per Acre Rs."	Extend of Land Units (Acres)	
									Min	Max
Paddy										
	Irrigated (PI)	45,268.67	14,335.22	15,449.89	20,568.78	37,710.78	133,333.33	100,000.00	0.25	20
	Rainfed (PR)	39,887.47	27,678.47	16,222.47	16,972.47	40,572.47	141,333.33	106,000.00	0.25	
Chillies	(C)	54,715.49	37,904.54	39,121.99	69,082.49	151,175.49	352,000.00	264,000.00	0.125	4
Onion	(O)	45,552.70	328,132.20	42,221.20	37,713.20	106,380.70	560,000.00	420,000.00	0.125	4
Pulses										
	Cowpea (M1)	21,072.08	16,679.90	7,562.10	9,063.64	29,622.28	84,000.00	63,000.00	0.125	10
	Green Gram (M2)	27,119.80	19,881.98	14,434.76	18,814.42	27,749.06	108,000.00	81,000.00	0.125	
	Black Gram (M3)	17,236.36	8,434.66	24,574.66	20,987.66	12,766.66	84,000.00	63,000.00	0.125	
	Soya beans (M4)	13,387.56	9,615.04	30,156.52	23,148.30	11,692.58	88,000.00	66,000.00	0.125	
	Kurakkan (M5)	28,326.50	5,939.20	20,702.56	13,379.40	7,652.34	76,000.00	57,000.00	0.125	
	Maize (M)	44,969.77	12,097.68	20,875.76	30,954.70	27,102.08	136,000.00	102,000.00	0.125	20
Oil Seeds										
	Ground Nut (L1)	26,027.30	33,454.30	12,754.30	16,059.30	35,704.80	124,000.00	93,000.00	0.125	10
	Gingelly (L2)	24,971.06	11,286.98	7,550.98	7,550.98	24,639.98	76,000.00	57,000.00	0.125	
	Sun Flower (L3)	12,973.75	11,361.25	10,555.00	8,136.25	12,973.75	56,000.00	42,000.00	0.125	
Root & Tuber										
	Potato (T)	154,370.59	377,166.66	143,918.62	148,252.65	184,291.50	1,008,000.00	756,000.00	0.125	4

	Sweet Potato (T1)	31,115.40	22,990.40	10,705.40	22,573.40	48,615.40	136,000.00	102,000.00	0.125	10
	Manioc (T2)	32,604.51	24,652.45	30,847.05	13,861.99	26,034.01	128,000.00	96,000.00	0.125	
	Kiri Ala (T3)	52,937.50	40,037.50	28,750.00	20,687.50	33,587.50	176,000.00	132,000.00	0.125	
Vegetable										4
	Brinjal (V1)	48,898.00	13,548.00	17,858.00	45,898.00	113,798.00	240,000.00	180,000.00	0.125	
	Ladies fingers (V2)	22,238.00	6,388.00	5,398.00	13,438.00	76,538.00	124,000.00	93,000.00	0.125	
	Beet Root (V3)	82,596.20	50,215.20	22,996.20	27,396.20	96,796.20	280,000.00	210,000.00	0.125	
	Beans (V4)	39,906.00	46,506.00	21,526.00	31,956.00	136,106.00	276,000.00	207,000.00	0.125	
	Cabbage (V5)	113,298.00	82,048.00	61,658.00	81,898.00	137,098.00	476,000.00	357,000.00	0.125	
	Carrot (V6)	97,512.80	71,608.80	62,612.80	53,552.80	142,712.80	428,000.00	321,000.00	0.125	
	Capsicum (V7)	101,130.00	74,480.00	47,130.00	69,530.00	155,730.00	448,000.00	336,000.00	0.125	
	Tomato (V8)	81,854.40	61,182.40	53,054.40	81,554.40	178,354.40	456,000.00	342,000.00	0.125	
	Leeks (V9)	74,685.00	96,560.00	30,385.00	32,585.00	97,785.00	332,000.00	249,000.00	0.125	
	Radish (V10)	49,084.00	24,084.00	14,564.00	4,384.00	55,884.00	148,000.00	111,000.00	0.125	
	Knoh Khol (V11)	59,467.80	30,648.80	10,147.80	9,467.80	54,267.80	164,000.00	123,000.00	0.125	
	Luffa (V12)	9,856.00	8,776.00	3,756.00	21,556.00	172,056.00	216,000.00	162,000.00	0.125	
	Bitter Gourd (V13)	1,108.80	36,607.80	25,880.80	55,464.80	170,137.80	228,000.00	171,000.00	0.125	
	Snake Gourd(V14)	14,452.00	13,192.00	8,352.00	9,652.00	178,352.00	224,000.00	168,000.00	0.125	
	Pumpkin (V15)	33,802.00	29,862.00	26,682.00	22,352.00	39,302.00	152,000.00	114,000.00	0.125	
Other										4
	Ginger (W1)	38,600.00	127,050.00	41,500.00	32,800.00	40,050.00	280,000.00	210,000.00	0.250	
	Sugarcane (W2)	30,898.00	28,311.75	40,206.75	30,380.50	70,203.00	200,000.00	150,000.00	1.00	
	Turmeric (Tu)	112,000.00	295,000.00	91,320.00	12,000.00	461,000.00	971,320.00	728,490.00	0.125	
Maximum amount for Home Gardening is Rs.100,000/-										
Maximum amount for nurseries (including seed production) is Rs. 500,000/-										

Note : The PFIs are authorized to release cultivation loans according to the requirements of the borrower subject to a maximum of 60% limit of the total loan amount for the first instalment for land preparation, seeds, plants, fertilizer, fungicide, insecticide etc. and the balance could be released in one or two instalments for purchasing fertilizer or harvesting as recommended by the field officer. The Branch Managers are requested to release only the amount required by each farmer considering his capacity to meet above cost components given in the above table by his own means. The Branch Managers are entitled to decide loan amounts to be granted to each farmer according to the cultivation pattern, irrigated or rainfed the cultivation season, the crop mixture and the farmers' repaying capacity etc. within the above maximum loan amounts per acre.

Operating Instructions No: RDD/STaRR-IS/2019/01-(Amendment 2)

Regional Development Department
Central Bank of Sri Lanka
P O Box 590
No. 30, Janadhipathi Mawatha
Colombo 01.
20th June 2022

To: All PFIs

AMENDMENT TO THE OPERATING INSTRUCTIONS OF "SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) INTEREST SUBSIDY SCHEME"

All Participating Financial Institutions (PFIs) of the STaRR Interest Subsidy Scheme are hereby informed that the Operating Instructions No. RDD/STaRR-IS/2019/01 dated 13.11.2019, (herein after referred to as "**Principal Operating Instructions**"), subsequently amended on 27.05.2022 issued by the Director, Regional Development Department of the Central Bank of Sri Lanka are amended as follows;

- Clause 1** of Principal Operating Instructions which was amended on 27.05.2022 is hereby repealed and the following clause is substituted therefor:-

1. Introduction

"With the main objective of revitalizing the smallholder tea and rubber industry in Sri Lanka by encouraging replanting of tea, new planting of rubber and related activities, the Government of Sri Lanka (GOSL) has made arrangements with the International Fund for Agricultural Development (IFAD) to implement Smallholder Tea and Rubber Revitalization (STaRR) Project."

STaRR Project which is jointly funded by GOSL and IFAD, is implemented by the Project Management Unit (PMU) of the STaRR Project operated under the Ministry of Plantation Industries (MPI) which is the Lead Programme Agency. The implementation period of the STaRR Project is 2016 to 2022.

STaRR Interest Subsidy Scheme (the Scheme) implemented by the Central Bank of Sri Lanka (CBSL), is introduced under the "Component C: Inclusive Rural Finance" of the STaRR Project and is effective from 15.10.2019 to 31.12.2025.

2. **Clause 5.9** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"Funds Provided by the MoF" means the funds allocated and payment made to CBSL by the MOF through the MPI for granting interest subsidy under the STaRR Interest Subsidy Scheme.

3. **Clause 8.5** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"Maintain the interest subsidy payment records"

4. **Clause 9.3** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"Make arrangements for timely payment of interest subsidy to the PFIs through CBSL, based on the instructions & recommendations of CBSL"

5. **Clause 12.3 (C)** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"The Head Offices of the PFIs should submit the interest subsidy applications through the PMU and/or the MPI by end of the months of January, April, July, October each year for the loans disbursed in the preceding four quarters".

6. **Clause 14** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

"PFIs should prepare Financial Statements of the STaRR Interest Subsidy Scheme for auditing purpose".

This amendment to the Operating Instructions of the STaRR Interest Subsidy Scheme will be effective from 01.11.2021. All other terms and conditions of Principal Operating Instructions (as amended on 27.05.2022) of the Loan Scheme will remain unchanged.

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
Central Bank of Sri Lanka

Operating Instructions No: RDD/STaRR-IS/2019/01-(Amendment 3)

Regional Development Department
Central Bank of Sri Lanka
PO Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
08 th July 2022

To: All PFIs

AMENDMENT TO THE OPERATING INSTRUCTIONS OF "SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) INTEREST SUBSIDY SCHEME"

All Participating Financial Institutions (PFIs) of the STaRR Interest Subsidy Scheme are hereby informed that the Operating Instructions No. RDD/STaRR-IS/2019/01 dated 13.11.2019, (herein after referred to as **"Principal Operating Instructions"**), subsequently amended on 27.05.2022 and 20.06.2022, issued by the Director, Regional Development Department of the Central Bank of Sri Lanka are amended as follows;

1. **Clause 6.4** of Principal Operating Instructions is hereby repealed and the following clause is substituted therefor:-

Interest Rate to Eligible Borrowers: 9.0 per cent per annum

This amendment to the Operating Instructions of the STaRR Interest Subsidy Scheme will be effective from 08.07.2022. All other terms and conditions of Principal Operating Instructions (as amended on 27.05.2022 and 20.06.2022) of the Loan Scheme will remain unchanged.

Please bring the contents of this Amendment of the Operating Instructions to the notice of the relevant officers.

Yours faithfully,

Chatura Ariyadasa

Additional Director For Director

Ref No: 32/04/034/0001/001

16.08.2022

To: CEO/GM of all Participating Financial Institutions (PFIs)

Dear Sir/Madam,

GRANTING OF CONCESSIONS FOR THE LOANS DISBURSED UNDER THE LOAN SCHEMES IMPLEMENTED BY THE REGIONAL DEVELOPMENT DEPARTMENT OF THE CENTRAL BANK OF SRI LANKA

Having identified the challenges faced by the businesses and individuals due to the prevailing economic situation in the country, the Central Bank of Sri Lanka (CBSL) decided to grant the following concessions as an amendment to the Operating Instructions (OIs) of the following refinance schemes;

- a. RDD/PR/2010/03 dated 22.03.2010 (Saubagya Loan Scheme – Prosperity),
- b. RDD/PR-COVID19/2020/01 dated 01.04.2020, RDD/PR-COVID19/2020/03 dated 19.06.2020, (Saubagya Covid-19 Renaissance Facility),
- c. RDD/DAD-PP/2021/01 dated 04.05.2021 (Pilot Phase of the Domestic Agriculture Development Programme),
- d. RDD/SAPP/4P/2019/01, and RDD/SAPP/RF/2019/01 dated 06.08.2019 (Smallholder Agribusiness Partnership Programme) and as amended.

2. Background

- 2.1. In line with the Monetary Board (MB) Circular No. 02 of 2022 dated 07.07.2022 (MB circular) issued by the Monetary Board of the CBSL (Annex A), it has been decided to grant concessions for the loan schemes implemented by the Regional Development Department (RDD) of the CBSL.
- 2.2. Concessions could be provided for capital or interest or both capital and interest or part of the capital or interest of the respective loans, on a case-by-case basis, as requested by the borrower, as defined in the MB Circular referred in Section 2.1.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIs by 15.09.2022. PFIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFIs are requested to accept the requests from the eligible borrowers who wish to avail the concessions and report the details separately for each schemes/phases as per the attached format (Annex I) to the Director of RDD by 30.09.2022. Please send the Soft copy (excel) of the Saubagya Loan Scheme and Saubagya Covid-19 Renaissance Facility to sehan@cbsl.lk, lansakara@cbsl.lk and other schemes to gihan@cbsl.lk

3. Concessions Granted

3.1. Refinance schemes

3.1.1. Repayments by borrowers to PFIs regard to the concessionary period,

- a. Borrowers can apply for concessionary period up to 31 December 2022 and extension of repayment period by six (06) months.
- b. Computation and payment of interest regard to the period of concession;
 - i. PFIs shall compute the interest during the concessionary period in conformity with the interest rates given in the respective OIs issued by the Director, RDD of the CBSL for each scheme.

- ii. If any borrower has opted not to pay interest during the concessionary period, the accumulated interest shall be equally distributed among the remaining loan installments or recovered as mutually agreed with the borrower. In any circumstances PFIs cannot charge interest or compound interest on accumulated interest during the concessionary period.
- c. PFIs shall adhere to the MB Circular for the repayment of accumulated capitals during the concessionary period and compute the interest on accumulated capital at the interest rates given in b (i) above.

3.1.2 Repayment plans of PFIs to CBSL regard to the concessionary period

- a. PFIs shall inform all the details of each loan that applied for concessions to the CBSL as per Annex I.
- b. If the concessionary period of the loan is;
 - i. less than or equal to 03 months, PFIs shall repay the CBSL as per the existing repayment schedule.
 - ii. greater than 03 months,
 - PFIs are provided with 6 months extension for the repayment.
 - interest accumulated during the concessionary period shall be paid at the end of the concessionary period or be equally distributed among the remaining loan installments
 - new repayment schedules will be provided accordingly.

3.2. Interest Subsidy (IS) and Credit Guarantee (CG) schemes

- 3.2.1. PFIs may provide necessary concessions for the borrowers as per the MB Circular.
- 3.2.2. CG and IS will be provided only up to the period already agreed.
- 3.2.3. In line with the Section 4.4 of the MB Circular, recovery actions cannot be taken until 31.12.2022. PFIs may commence recovery actions on defaulted borrowers thereafter to make credit guarantee claims adhering to OIs issued under CG schemes.

4. Compliance with the computation of interest regard to the extended period

In the event if any PFI has charged any borrower an interest higher than the interest rate stipulated in the OIs (as amended), such PFI shall make immediate arrangements to reverse such interest charged in favor of the borrower and pay back the excess charged to the borrower.

5. Providing Concessions for the loans in the Non-performing Loan (NPL) Category

In line with the MB Circular, PFIs may consider providing concessions for upcoming loan installments of the loans in NPL category subject to the condition that PFIs will comply with all the Directions issued by CBSL with regard to the NPLs. Further, PFIs cannot backdate concessions for the borrowers in NPL category and transfer such borrowers to the performing category.

- 6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of PFIs with these instructions.
- 7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure the deadlines stated are met to maintain the operational efficiency of the schemes.
- 8. These amendments are effective from the date of MB Circular No. 02 of 2022 (i.e., 07.07.2022).

Yours faithfully,
M S K Dharmawardane
Director
Regional Development Department

Moratorium - 2022

Loan Scheme (Phase) :

Name of the PFI:

[illegible]

*CBSL will provide the moratorium based on the outstanding balance held the CBSL against the respective borrower/s

Finance Business Act Directions No. 01 of 2022

28 January 2022

TECHNOLOGY RISK MANAGEMENT AND RESILIENCE

1. **Legal provisions**
 - 1.1 In terms of the powers conferred by section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board of Central Bank of Sri Lanka hereby issues these directions on technology risk management and resilience of Licensed Finance Companies (LFCs).
2. **Objectives of the directions**
 - 2.1 With the adoption of new technology and leveraging technology services to agents and third parties, LFCs embrace technology risk which needs to be integrated into the risk management. These directions intend to set minimum regulatory requirements on technology risk management and resilience for LFCs.
3. **Applicability**
 - 3.1 Requirements in this framework shall be applicable to entire operations of LFCs including operations performed by agents and third-party service providers.
 - 3.2 The extent and degree to which an LFC implements these directions should be commensurate with the level of risk and complexity of the technologies used and shall be decided by the Board of Directors going beyond the minimum regulatory requirements as may be warranted.
 - 3.3 The provisions of these directions shall be effective from 01.01.2023 subject to the transitional provisions in direction 10.
4. **Technology risk governance and oversight**
 - 4.1 **Role of the Board of Directors**
 - a) Board of Directors shall be responsible to formulate Information Technology (IT) and cyber security strategy in alignment with the potential risks posed by technology, business strategy and minimum regulatory requirements.
 - b) IT and cyber security strategy shall be supported by the Board approved policies including a well written information security policy, a sound and robust risk management framework with the appropriate Board oversight, adequate technical resources, institutional arrangement for building awareness on the subject and an independent audit.
 - c) Engagement with the third parties and agents needs to be evaluated in view of the potential IT and cyber risks they pose to the LFC including the risks arising from the use of cloud services and Fintech.
 - d) LFCs are encouraged to establish a Board level Information Security Committee (ISC) which is responsible for information security and technology resilience of the LFC.
 - e) The Board of Directors shall establish adequate oversight measures to ensure effective implementation of the regulatory requirements in the technology risk management and resilience direction.
 - 4.2 **Technology Risk Management**
 - a) The focus of the technology risk management should be broadly on identification, protection, detection, responding and recovery functions. Technology risk management should evaluate the adequacy, effectiveness and appropriateness of controls and monitor the same at frequent intervals while keeping the Board informed on any major non-compliances observed.
 - b) Establish a technology risk management framework with the following functions.
 - i) Risk identification
Identify the threats and vulnerabilities applicable to IT environment, including information systems maintained or supported by agents or third party service providers.
 - ii) Risk assessment
Perform an analysis of the potential impact/consequences and likelihood of the IT threats and vulnerabilities on the overall business and operations. Set criteria for measuring and determining the likelihood and impact of the risk scenarios.
 - iii) Risk treatment
Develop and implement risk mitigation and control measures that are consistent with the criticality of the information systems and the level of risk tolerance. Assess whether risks have been reduced to an acceptable level after applying the mitigating measures.

- iv) Risk monitoring, review and reporting
Establish a process for assessing and monitoring the design and operating effectiveness of IT controls against identified risks.

4.3 Role of Senior Management

- a) Implement the Board approved technology risk management framework into specific policies and procedures that are consistent with the approved risk tolerance and supported by effective oversight, reporting, escalation procedures and apprising the Board of Directors of any adverse developments.
- b) LFCs shall have a management level ISC headed by the Chief Executive Officer (CEO) to address issues on technology adoption, information security, cyber security, outsourcing and concentration and to support the Board level ISC. The roles and responsibilities of the management level ISC are given in Annexure-I.
- c) Ensure the cyber hygiene is maintained within the organization and third party outsourced agencies on an ongoing basis. Awareness programmes need to be conducted based on the role played by the staff and other stakeholders periodically.
- d) Establish appropriate controls relating to physical access, logical access, change management, patch management and configuration management, best practices as articulated in various information security standards/frameworks and such controls should consider the entire life cycle of the information systems.
- e) Review the effectiveness and relevance of information security controls periodically and take necessary remedial action on priority.

4.4 Chief Information Security Officer (CISO)

- a) LFCs shall appoint a CISO to provide leadership on the requirements of the information security. The main responsibilities of CISO shall be as follows:
 - i) Develop, manage and operationalize the information security strategy.
 - ii) Continuously monitor and evaluate the information security practices.
 - iii) Perform information security audits and risk assessments.
 - iv) Making the organization compliant with information security regulations.
 - v) Develop and implement business continuity plans.
 - vi) Information security risks and strategy related training and awareness.
 - vii) Manage information security budgets; and
 - viii) Report to the Board of Directors about the information security.
- b) CISO shall be an executive officer of the LFCs' senior management team.
- c) CISO shall report to the CEO or have an appropriate reporting line where CEO is at the end of reporting line.
- d) CISO shall co-ordinate with risk management and IT functions of the LFC for smooth implementation of the information security activities.
- e) LFCs may appoint an executive officer from the LFCs' management team to simultaneously function as the CISO, provided that the Board of Directors resolve that the magnitude of technology and information security risks faced by the LFCs do not necessitate a dedicated CISO. However, such an officer shall not discharge any function that may conflict with his responsibilities including positions such as Chief Information Officer, Chief Internal Auditor, Chief Risk Officer or Compliance Officer.

4.5 Internal Audit

LFCs shall ensure that compliance with the requirements in these directions through the internal audit at least annually.

5. Information and information system security

5.1 Fair and Ethical Use of Customer Data

- a) LFCs shall ensure that customer data would only be used in ways the customers would reasonably expect the LFC to use such data.

- b) The Board of Directors shall put in place effective policies and procedures to ensure fair and ethical use of customer data at all times. Further, LFCs shall not disclose such data except for that has been provided by law.
- c) LFCs shall ensure the outsourced vendors, including Fintech, abide by the expectations on fair and ethical use of customer data, as if they are subjected to similar regulations, as it pertains to LFC operations.

5.2 Information Classification and Labelling

- a) LFCs shall have an information classification policy approved by the Board of Directors based on the recommendations of the Board Integrated Risk Management Committee (BIRMC) and ISC.
- b) All electronically maintained data shall be classified based on information security level and labelled with assigned classification as per the information classification policy.

5.3 Identification of Critical Information Systems

- a) A critical information system refers to any information system that supports the provisions of the critical LFC activities or payment services, where failure of the system has the potential to significantly impair the financial institution's provisions of financial services to its customers or counterparties, business operations, financial position, reputation, or compliance with applicable laws and regulatory requirements.
- b) A critical information system shall include, but not limited to, the transaction processing systems, general ledger systems, payment and settlement systems, delivery channels, systems used for Anti-Money Laundering (AML)/Know Your Customer (KYC) procedures, and any other system that is required to ensure the uninterrupted conduct of finance business. Any information system exclusion from the above shall be based on an internally established policy. All such exclusions shall be reviewed at least every two years.
- c) The Board of Directors shall identify information systems falling within the definition of critical information system on the recommendations of BIRMC and ISC.

5.4 User Access Management

- a) User access control shall be applicable to critical information systems and information systems exposed to customer data.
- b) The Board of Directors shall decide on the need to apply the user access control requirements similar to critical information systems for non-critical information systems exposed to confidential non-customer data in consultation with BIRMC and ISC.
- c) LFCs shall implement an industry standard user access and identity management system(s) to manage all users including the privileged users.
- d) In the event of an industry standard user access and identity management system(s) are not feasible or appropriate, LFCs may use alternative controls implementing a suitable control, for any existing information system subject to the approval of the Board of Directors on the recommendation of BIRMC and ISC.
- e) The privileged user access shall be provided only on "need-to-have" basis and the highest level of access shall only be provided for a limited time when such access is required. Activities of these accounts should be logged and reviewed as a part of the LFC's ongoing monitoring.
- f) The LFCs shall conduct user access reviews as per following frequencies:
 - i) At least on a monthly basis for the critical information systems.
 - ii) At least on a quarterly basis for the non-critical information systems exposed to customer data and confidential non-customer data.
 - iii) At least on an annual basis for all the other information systems.
 - iv) At least on a bi-annual basis for customers and their authorized representatives registered to use any information system of the LFC including the electronic delivery channels, using an appropriate methodology in accordance with the operating instructions of the linked accounts.

- g) LFCs shall adopt appropriate methodologies to conduct user access privilege reviews as approved by ISC.
- h) When conducting the user access privilege reviews, LFCs must implement an appropriate mechanism to review the identification, authentication and authorization of internal and external users such as the third-party service providers.

5.5 Computer Security and User Activity Log Management

- a) LFCs shall implement a log management policy to manage computer security and user activity logs of critical information systems and customer data information systems. Such policy may be extended to the other information systems at the discretion of BIRMC.
- b) The policy shall be approved by the Board of Directors based on the recommendations of BIRMC and ISC.
- c) The policy shall include types of logs to be maintained, retention period, frequency of review, method of review and tools to be used, event identification and response, and responsibilities for the maintenance and review of logs.
- d) Computer security logs to be generated by security software, operating systems and applications. Computer security and user activity logs maintained shall be adequate to successfully identify and investigate information security incidents.
- e) Logs of the privileged users shall be given a higher importance and reviewed on a near real time basis using appropriate tools and methods.

5.6 Data Encryption

5.6.1 Customer Data Encryption

- a) Customer data shall be protected using encryption.
- b) Encryption shall be applicable to customer data maintained with LFCs, agents, and the third-party service providers.
- c) Levels of data encryption,
 - i) Data-at-rest encryption
Customer data shall be subjected to database encryption or file level encryption at rest.
 - ii) Data-in-transit encryption
Whenever a file containing customer data is transmitted, it shall remain encrypted at file level.
 - iii) Full disk encryption for endpoint devices and removable media
All endpoint devices and removable media that store customer data of LFCs, either permanently or temporarily, including such devices of the third-party service providers and agents shall be subject to full disk encryption.
- d) LFCs shall use industry standard encryption methods. Selection of such methods shall be subjected to the approval of the Board of Directors on the recommendation of BIRMC and ISC.
- e) When industry standard encryption methods are not feasible or appropriate, LFCs may use alternative controls to protect customer data subject to the approval of the Board of Directors on the recommendation of BIRMC and ISC.

5.6.2 Confidential Non-Customer Data Encryption

Encryption requirements shall be applicable to confidential non-customer data as well, except for the categories of confidential non-customer data that will only pose negligible adverse impact to LFCs if subjected to a data leakage or any other adverse information security incident that could have been prevented with encryption as determined by BIRMC.

5.7 Security Operations Center (SOC)

All LFCs offering electronic delivery channels (e.g., internet banking, mobile apps, customer/third-party integrations, etc.) shall implement a SOC as per the minimum requirements in Annexure II.

5.8 Data Loss Prevention (DLP)

- a) LFCs shall implement industry standard DLP tools to minimize the risk of data leakages. Scope of implementation shall cover the entire LFC, any third-party service providers and agents exposed to customer data.
- b) In case of the third-party service providers and agents, LFCs may allow them to implement DLP tools as per minimum requirements specified by the LFCs.
- c) LFCs shall conduct at least an annual review of such implementations by the third-party service providers and agents to ensure adequate DLP measures are in place.
- d) When industry standard DLP tools are not feasible or appropriate, LFCs may use alternative controls to protect customer data subject to the approval of the Board of Directors on the recommendation of BIRMC and ISC.

5.9 Information Security Incident Response and Recovery

5.9.1 Incident Response Plan (IRP)

- a) LFCs shall have an up to-date IRP approved by Board of Directors, including procedures for incident escalation, remediation, recovery, and communication with internal and external stakeholders.
- b) IRP shall include specific procedures to deal with commonly known types of information security incidents, including but not limited to cyber security incidents.

5.9.2 Incident Response and Recovery Testing

Incident response and recovery capabilities shall be tested at least annually using scenarios close to the real life as much as possible to determine the LFC's incident response readiness. Results of such test shall be reported to the Board of Directors through BIRMC by ISC.

5.10 Information Security Testing

5.10.1 Pre-Implementation Information Security Testing

- a) Scope
 - i) Critical information systems and information systems exposed to customer data shall be subject to pre-implementation information security tests. Any other information system that could potentially make any critical information system or any information system exposed to customer data vulnerable shall also be subjected to pre-implementation information security tests.
 - ii) The Board of Directors shall decide on the need to conduct pre-implementation information security testing for non-critical information systems exposed to confidential non-customer data on the recommendation of BIRMC and ISC.
 - iii) Pre-implementation information security tests shall be conducted prior to initial implementation and prior to implementation of modifications. Minor modifications could be excluded from pre-implementation information security tests based on an exclusion policy approved by the Board of Directors. In the event of any specific minor modification needs to be excluded, the approval of ISC is required at the time of implementation.
- b) Following types of pre-implementation tests shall be carried out as applicable to the given implementation:
 - i) Static Application Security Testing (SAST) or source code reviews to detect any malicious or unsafe code.
 - ii) Dynamic Application Security Testing (DAST) to detect application-level vulnerabilities an attacker could exploit.
 - iii) Quality assurance testing on computing and networking infrastructure hardening to ensure compliance with internal hardening policies, and
 - iv) Infrastructure vulnerability assessments to identify vulnerabilities in computing and networking infrastructure.

- c) Pre-implementation tests shall be conducted by a team independent from the team responsible for the development and/or implementation of the information system.
- d) LFCs shall adopt suitable alternative security evaluation methodologies when procuring off-the-shelf software if conducting pre-implementation tests as per 5.10.1(b) is not possible.
- e) LFCs may rely on an assurance provided by an independent third-party, mutually acceptable to both the LFC and the information system provider, as an alternative to 5.10.1(b)(i) in case of information systems provided by external vendors.
- f) LFCs shall implement industry standard controls to ensure the malicious code will not be injected when source code is moved to production environment after completion of relevant pre-implementation tests.

5.10.2 Vulnerability Assessments (VA)

- a) Critical information systems and information systems exposed to customer data shall be subject to VA at least bi-annually or whenever there is a change to the IT infrastructure and system modifications.
- b) VA shall focus on both infrastructure and application vulnerabilities.
- c) VA shall be performed on production environments.
- d) VA may be performed by the LFC's internal information security staff or external experts
- e) Vulnerabilities identified shall be remediated within a time period approved by the ISC.

5.10.3 Penetration Testing (PT)

- a) LFCs shall conduct PT using an independent external expert to determine,
 - i) The ability of tested information systems to withstand real-world style attacks.
 - ii) The required level of sophistication and persistence an attacker should possess to successfully compromise the tested information systems.
 - iii) Ability of the LFC's information security, operational, and leadership teams to detect and appropriately respond to such attacks.
 - iv) Any enhancements required to mitigate such threats in the future.
- b) Critical information systems, information systems exposed to customer data, and repositories of customer data with the LFC, agents, and third-party service providers shall be subject to PT by an independent external penetration testing expert, at least annually. An indicative guidance on the conduct of PT is given in Annexure - III.
- c) LFCs that are mature and have complex technologies supporting their business activities could conduct red team exercises as an extension of PT. An indicative guidance on how to conduct red team exercises are given in Annexure - IV.

5.11 Information Security Training and Certification

5.11.1 Training and Awareness to Board of Directors

- a) LFCs shall implement a comprehensive annual training and awareness program on information security and technology risk management for Board of Directors, in accordance with the requirements below.
 - i) The objective of such program shall be to enable the Board of Directors to have effective oversight on the adequacy and effectiveness of information security and technology risk management policies and procedures of the LFC.
 - ii) Responsibilities of the Board of Directors and Board Committees in terms of the requirements in this regulatory framework and other applicable laws and regulations relating to information security and technology risk management shall also be covered through such programs.

- iii) Such training shall consist of at least one annual structured training program and one or more awareness sessions by information security and technology risk management experts every year.
- iv) The Board Secretary of the LFC shall ensure compliance with the above requirements on training and awareness to the Board of Directors.

5.11.2 Information Security Awareness Training and Certification Requirement for Staff

- a) LFCs shall ensure the staff of the LFC, agents, and third-party service providers exposed to or can potentially be exposed to critical information systems, customer data, or confidential non-customer data are trained and certified on information security, in accordance with the following requirements.
 - i) Required persons shall complete an information security awareness training program based on the information security policies and procedures of the LFC.
 - ii) Such program as per 5.11.2 (a) (i) shall be commensurate with the information security responsibilities of the trainee and shall be updated regularly and whenever the LFC's information security policies are updated.
 - iii) Required persons shall complete an internal certification test, based on the information security awareness training, at least annually.
- b) The Board of Directors may exclude staff of agents and the third-party service providers from the requirements in 5.11.2 (a) (i), if adequate and comparable information security awareness measures have been implemented by such agents and third-party service providers.

6. Information system availability

6.1 Scope

Requirements specified in 6.2 to 6.5 shall be applicable to critical information systems.

6.2 System Availability

- a) LFCs shall ensure the critical information systems achieve a high level of system availability.
- b) The Board of Directors on the recommendation of BIRMC shall establish the system availability targets for each critical information system.
- c) BIRMC shall ensure that achievement of system availability targets of critical information systems are monitored and reported to the Board of Directors.

6.3 Disaster Recovery (DR) Arrangements

- a) LFCs shall ensure the availability of DR arrangements for critical information systems with Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) determined by the Board of Directors on the recommendation of BIRMC, confirming to following minimum requirements:
 - i) RTO of less than 6 hours for critical information systems of LFC; and
 - ii) RPO of zero (i.e. no data loss during a disaster) or near zero.

6.4 Disaster Recovery (DR) Activation

- a) The Board of Directors shall establish DR activation triggers for each critical information system based on recommendations of the BIRMC and ISC.
- b) Such activation triggers shall ensure adequate time to activate the DR arrangement in compliance with the RTO target specified in 6.3.

6.5 Disaster Recovery (DR) Testing

- a) DR arrangements shall be tested by operating all critical information systems using DR infrastructure for at least one day a year.
- b) In addition to testing of DR infrastructure as per 6.5 (a), an annual cycle of DR simulations, shall be implemented to enable the Board of Directors to determine the ability of the LFC to achieve the required RTO and RPO targets under different disaster scenarios and take necessary corrective measures where required.

7. Staff competency requirements

- 7.1 a) LFCs shall ensure staff with requisite qualifications are employed in information security, technology risk management, and internal audit functions. In addition, the third party service provider's staff members shall have such qualifications. An indicative guidance regarding recognized qualifications, institutes for respective roles is given in Annexure - V.
- b) In the event the LFC is unable to comply with the requirements in section 7.1 (a), the Board of Directors shall resolve to substitute the indicative qualifications for appropriate experience and skills in information security and technology risk management subject to the recommendations of BIRMC and ISC.

8. Third party service provider management

- 8.1 The Board of Directors and senior management shall exercise effective oversight and address associated risks when engaging third party service providers for critical technology functions and systems. Engagement of third-party service providers, including engagements for independent assessments, does not in any way reduce or eliminate the principal accountabilities and responsibilities of LFCs for the security and reliability of technology functions and systems.

- 8.2 The Board of Directors shall be responsible for any customer data confidentiality breaches by a third party service provider.

8.3 Third Party Service Provider Assessment

- a) LFCs shall conduct proper due diligence on the third-party service provider's competency, system infrastructure and financial viability prior to engaging its services.
- b) In addition, an assessment shall be made of the third-party service provider's capabilities in managing the following specific risks,
- i) Data leakage including unauthorized disclosure of customer and counterparty information
 - ii) Service disruption including capacity performance
 - iii) Processing errors.
 - iv) Physical security breaches.
 - v) Cyber threats.
 - vi) Over-reliance on key personnel.
 - vii) Mishandling of confidential information pertaining to the financial institution or its customers in the course of transmission, processing or storage of such information.
 - viii) Concentration risk.
- c) In the event the third-party service provider exhibits the risks highlighted in 8.3 (b), the LFC shall ensure necessary steps are in place to mitigate such risks.

8.4 Service Level Agreements (SLA)

- a) LFCs shall establish an SLA when engaging with third party service providers. At a minimum, SLA shall contain the following:
- i) Access rights for the Central Bank of Sri Lanka (CBSL) and any party appointed by the LFC to examine any activity or entity of the LFC. This shall include access to any record, file or data of the LFC, including management information and the minutes of all consultative and decision-making processes.
 - ii) The rights of the CBSL to examine the third-party service provider and its staff associated with the services provided to the LFC.
 - iii) Third-party service provider to make available any information or data requested by the Director concerning the services provided to the LFC.
 - iv) The rights of the Sri Lankan judiciary to request and obtain any information or data relating to the services provided to the LFC.
 - v) Third party shall ensure the customer data would only be used reasonably and for the purpose the LFC shared the data.
 - vi) All customer data and confidential non-customer data available with the third-party service provider are permanently deleted within a pre-agreed time period at the end of the contract.

- vii) Third-party service providers to facilitate internal auditing requirements and information security testing requirements given in these directions.
- viii) Requirements for the service provider and any sub-contractor to provide sufficient prior notice to the LFC.
- ix) A written undertaking by the service provider on compliance with secrecy provisions under relevant legislation. The SLA shall further clearly provide for the service provider to be bound by confidentiality provisions stipulated under the contract even after the engagement has ended.
- x) Arrangements for disaster recovery and backup capability.
- xi) Ensure the staff assigned by the third party is committed to the non-disruption service and to provide adequate notice of such changes.
- xii) Compensation mechanism and rectification procedure for any customer data confidentiality breaches by the third party service provider.
- xiii) Critical system availability.
- xiv) Arrangements to secure business continuity in the event of exit or termination of the service provider.
- b) In the event the LFC is unable to incorporate the conditions stated at 8.4 (a) in the SLA due to nature and the complexities of the third-party arrangement, the Board of Directors shall resolve such exclusions from the SLA with the recommendation of BIRMC and ISC.
- 8.5 LFCs shall ensure its ability to regularly review the SLA with its third-party service providers to take into account the latest security and technological developments in relation to the services provided.
- 8.6 LFCs shall ensure its third-party service providers comply with all relevant regulatory requirements prescribed in these directions.
- 8.7 LFCs shall ensure data residing in third party service providers are recoverable in a timely manner. LFCs shall ensure clearly defined arrangements with the third-party service provider are in place to facilitate the LFC's immediate notification, timely updates to the LFC and other relevant regulatory bodies in the event of a cyber-incident.
- 8.8 LFCs shall ensure the storage of its data is at least logically segregated from the other clients of the third-party service provider. There shall be proper controls over and periodic review of the access provided to the authorized users.
- 8.9 LFCs shall ensure any critical system hosted by the third party service providers have strong recovery and resumption capability and provisions to facilitate an orderly exit in the event of failure or unsatisfactory performance by the third-party service provider.
- 9.1 LFCs shall fully understand the inherent risk of adopting cloud services considering the inherent architecture of cloud services that leverages on the sharing of resources and services across multiple tenants over the internet.

9. Cloud services

9.2 Comprehensive Risk Assessment

- a) LFCs shall conduct a risk assessment prior to cloud adoption. The assessment shall address risks associated with the following:
 - i) Sophistication of the deployment model.
 - ii) Migration of existing systems to cloud infrastructure.
 - iii) Location of cloud infrastructure.
 - iv) Multi-tenancy or data commingling.
 - v) Vendor lock-in and application portability or interoperability.
 - vi) Ability to customize security configurations of the cloud infrastructure to ensure a high level of data and technology system protection.
 - vii) Exposure to cyber-attacks through cloud service providers.
 - viii) Termination of a cloud service provider including the ability to secure the financial institution's data following the termination.
 - ix) Demarcation of responsibilities, limitations and liability of the service provider.

- x) Ability to meet regulatory requirements and international standards on cloud computing on a continuous basis.
 - b) In the event the cloud service provider exhibits the risks highlighted in 9.2 (a), the LFC shall ensure necessary steps are in place to mitigate such risks.
- 9.3 LFCs shall assess the degree to which the selected cloud configuration adequately addresses the following attributes,
- a) Geographical redundancy
 - b) High availability
 - c) Scalability
 - d) Portability
 - e) Interoperability
 - f) Strong recovery and resumption capability including appropriate alternate internet path to protect against potential internet faults
- 9.4 LFCs shall assess the availability of independent, internationally recognized certifications of the cloud service providers, at a minimum, in the following areas:
- a) Information security management framework, including cryptographic modules such as used for encryption and decryption of user data.
 - b) Cloud-specific security controls for protection of customer and counterparty or proprietary information including payment transaction data in use, in storage and in transit.
- 9.5 LFCs shall separately identify the critical and non-critical systems prior to using any cloud services. The risk assessment as outlined in paragraph 9.2 shall be documented and notified to the Director before the adoption.
- 9.6 LFCs shall implement appropriate safeguards on customer and counterparty information and proprietary data when using cloud services to protect against unauthorized disclosures and access. This shall include retaining ownership, control and management of all data pertaining to customer and counterparty information, proprietary data and services hosted on the cloud, including the relevant cryptographic keys management.

10. Transitional provisions

- 10.1 The transitional provisions on the direction are as per the Table 1 given below.

Table 1: Timelines for compliance		
Reference	Requirement	Date for Compliance
4.3 (b)	Executive level Information Security Committee (ISC)	01.07.2023
4.4	Appointment of a CISO	01.01.2025
5.2	Information classification and labelling	01.07.2023
5.3	Identification of critical information systems	01.07.2023
5.4	User access management	01.01.2024
5.5	Computer security and user activity log management	01.01.2024
5.6	Data Encryption	01.01.2024
5.7	Security Operations Center (SOC)	01.01.2026
5.8	Data Loss Prevention (DLP)	01.01.2024
5.9	Information Security Incident Response and Recovery	01.01.2024
5.10.2	Information Security Testing	
5.10.3	a) Vulnerability assessments (VA) b) Penetration Testing (PT)	01.01.2024 01.01.2024
5.11.1	Information Security Training and Certification	
5.11.2	a) Training and awareness to Board of Directors b) Information security awareness training and certification requirement for staff	01.07.2023 01.07.2023
6.2	System availability	01.07.2023
6.3/6.4 /6.5	Disaster Recovery	01.07.2023

11. Definitions

- 11.1 Following definitions shall be applicable for the purposes of these directions.

- a) **'Agent'** - An agent or sub-agent is an entity or a person selected by the LFC according to the internal policies approved by the Board of Directors to provide limited finance business activities on behalf of the LFC.
- b) **'Confidential non-customer data'** - Any non-public data which do not fall within the definition of customer data and can cause significant financial or reputational loss if they are used maliciously or leaked, including the LFC's financial transactions, submissions to the Board of Directors and management, sensitive employee data, and any other data as determined by the LFC.
- c) **'Customer data'** - Any non-public data relating to a past, existing, or potential customer. However, de-identified customer data need not be considered as customer data.
- d) **'De-identified customer data'** - Intentionally altered customer data which cannot be used alone or in combination with any other data to identify the customer to whom the data was originally related to.
- e) **'Director'** - Director of Department of Supervision of Non-Bank Financial Institutions.
- f) **'Public data'** - Data that is freely available to everyone to use and re-publish without any restriction.
- g) **'Service provider'** - A service provider with whom the LFC has entered into an outsourcing arrangement as per the Finance Business Act Direction (Outsourcing of Business Operations) No. 7 of 2018 or as amended.
- h) **'Senior management'** - Shall have the definition given in the Finance Business Act Direction (Assessment of Fitness and Propriety of Key Responsible Persons) No.06 of 2021 or as amended.

Nivard Ajith Leslie Cabraal

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

Annexure I, II, III, IV and V are available at

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/snbfi_finance_business_act_directions_no_01_of_2022_e.pdf

Finance Business Act Directions No. 02 of 2022

18 March 2022

MOBILE PHONE BASED E-MONEY SERVICES

- | | |
|--|--|
| 1. Legal provisions | 1.1 In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board of the Central Bank of Sri Lanka issues directions on mobile phone based e-money services obtained by Licensed Finance Companies (LFCs) through Licensed Service Providers (LSPs) and their merchants |
| 2. Objective of the directions | 2.1 The existing physical branch network of the banking and LFC sector across the country provides only a limited access to financial services for the customers. Therefore, the mobile phone based e-money services would be a solution for easy access to finance by enabling convenient banking and to improve efficiency of the operations of LFCs. |
| 3. Applicability and scope | 3.1 These directions shall be applicable to mobile phone based e-money services given in direction 4.1 offered by LSPs and their merchants for LFCs.
3.2 These directions shall be exempted from the requirements in the following directions. <ul style="list-style-type: none"> a) Direction '2.1 a', '2.1 h' and '2.1 k' of the Finance Business Act (Outsourcing of Business Operations) Direction No.07 of 2018, and b) Direction '6.2' of the Finance Business Act (Business Expansion and Operations) Direction No.06 of 2020. |
| 4. Permitted services through mobile phone based e-money system | 4.1 The LFC may carry out the following through the mobile phone based e-money systems of LSPs and their merchants. <ul style="list-style-type: none"> a) Deposit acceptance. |

- b) Deposit withdrawal.
- c) Loan disbursement.
- d) Receiving loan repayment
- e) Fees and charges applicable for sections 4.1 a) to d), and
- f) Any other activity as approved by the Director.

5. Responsibility of an LFC

5.1 Board of Directors

- a) Board of Directors shall be responsible to formulate the strategy on the mobile phone based e-money services offered by LSPs and their merchants in line with the business strategy.
- b) The mobile phone based e-money service strategy shall be supported by the Board approved policies, sound and robust risk management frameworks with appropriate Board oversight, adequate technical resources and an independent audit covering merchants.
- c) Clearly understand the potential risks posed by mobile phone based e-money services of LSPs and their merchants and manage all relevant risks including credit risk, operational risk, liquidity risk, reputation risk, technology risk, legal and compliance risk. Such risks need to be reviewed by the Board at least on an annual basis.

5.2 Chief Executive Officer

- a) Assess mobile phone based e-money services obtained through LSPs and their merchants continuously on their viability, risk emanating to the LFC and make informed decisions on the continuation.
- b) Undertake a due assessment of limit structures (transactions limits, day limits, customer limits, service provider limits, merchant limits) for mobile phone based e-money services commensurate with the risk profile of the LFC.
- c) Assess the adequacy of controls by conducting internal audits and external audits.
- d) Ensure implementation of systems and procedures to strengthen the customer protection.
- e) Ensure the provisions in the agreement between the LFC and the LSP are compliant with the provisions of these directions.

6. Notification and submissions to the Director

6.1 An LFC shall notify the Director prior to commencement, dis-continuation or any modification of mobile phone based e-money services offered by the LSPs and their merchants.

6.2 An LFC shall submit the following to the Director prior to commencing the mobile phone based e-money services offered by LSPs and their merchants.

- a) An approval of the Board of Directors of the LFC on the proposed mobile phone based e-money service.
- b) A confirmation of the Board of Directors of the LFC with regard to the compliance with the minimum requirements of the proposed mobile phone based e-money service given at Schedule I.
- c) A confirmation of the Chief Executive Officer of the LFC with regard to the compliance with the minimum requirements of the proposed mobile phone based e-money services given at Schedule II.
- d) The details of the merchants involved in the proposed mobile phone based e-money service as given in Schedule III.
- e) A brief report on the proposed mobile phone based e-money service and its business impact assessment including the key risk types and the mitigants as given in Schedule IV.
- f) Any other information relevant to the proposed mobile phone based e-money service required by the Director.

- 7. Consumer protection** 7.1 An LFC shall ensure the provisions of the Finance Business Act (Financial Customer Protection Framework) Direction No.1 of 2018 are in compliance for mobile phone based e-money services offered by LSPs and their merchants for LFCs.
- 8. Central Bank oversight** 8.1 The Director will monitor compliance by an LFC with these directions and may:
- a) Request for any information relevant to the mobile phone based e-money services offered by LSPs and their merchants for LFCs at any time as may be deemed necessary.
 - b) Carry out inspection of the books and premises of LSPs and their merchants involved in the mobile phone based e-money services, if required.
 - c) Direct an LFC to cease and discontinue the mobile phone-based e-money service arrangement with LSPs and their merchants, if deemed necessary.
 - d) Direct an LFC to take any action or measure against the LSPs and their merchants as appropriate.
 - e) Direct an LFC to take any remedial action arising from the conduct of LSPs and their merchants on the mobile phone based e-money services.
 - f) Direct an LFC to suspend the mobile phone based e-money service offered by LSPs and their merchants until the Board of Directors of an LFC assures of the rectification of the non-compliance.
- 9. Other conditions** 9.1 LFCs shall comply with the prudential requirements, including, but not limited to, directions on minimum capital adequacy ratios, minimum core capital and liquid assets in order conduct mobile phone based e-money services offered by LSPs and their merchants.
- 9.2 The maximum transaction limits and fees charged on the mobile phone based e-money services offered by LSPs and their merchants shall not exceed the transaction limits and fees imposed by the Payment and Settlement Department of the Central Bank of Sri Lanka or the Director.
- 9.3 Mobile phone based e-money services offered by LSPs and their merchants already commenced prior to implementation of these directions shall comply with the requirements of these directions within 6 months from the implementation of these directions and notify the Director on compliance.
- 10. Effective date** 10.1 These directions shall come into effect from the date of this direction
- 11. Interpretations** 11.1 'Director' shall mean Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
- 11.2 'E-money' shall mean the monetary value issued upon receipt of funds and stored electronically for the purpose of using as a mean of payment or to settle financial obligations.
- 11.3 'Merchant' shall mean the institutions/persons appointed by LSPs to carryout mobile payment services.
- 11.4 'Licensed Service Provider' shall mean a service provider licensed in terms of Payment Cards and Mobile Payment Systems Regulation No. 1 of 2013 or as amended.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Schedule I

Confirmation of the Board of Directors

Confirmation of the Board of Directors of an LFC shall at minimum cover the following requirements with respect to the proposed mobile phone based e-money services offered by LSPs and their merchants.

- a) Compliance and adherence to these directions on mobile phone based e-money services.
- b) Compliance and adherence to the Board approved,

- i. LSP and their merchant selection policy.
 - ii. Risk management framework.
 - iii. Consumer protection mechanism.
 - iv. Mobile phone based e-money service management, control and monitoring mechanism; and
 - v. Operating procedures and manuals.
- c) Availability of necessary provisions in the agreement entered into with LFC and LSPs and their merchants and such provisions are in compliance with these directions.
 - d) Ensure LSPs and their merchants are compliant with the Payment Cards and Mobile Payment Systems Regulations No.1 of 2013 or as amended or any regulations issued by the Central Bank of Sri Lanka.
 - e) LFCs availability of adequate resources and expertise to perform the mobile phone based e-money services.
 - f) All risks associated with the mobile phone based e-money services offered by LSPs and their merchants are identified, documented and established appropriate steps to mitigate or transfer.
 - g) Systems and procedures are established for consumer protection with regard to complaint measures and relief mechanism with the use of the mobile phone based e-money services offered by LSPs and their merchants.
 - h) Adequate internal controls, systems and personnel to monitor and control mobile phone based e-money services offered by LSPs and their merchants on an ongoing basis and adequate oversight to address instances of non-compliance or omissions by LSPs and their merchants with the stipulated obligations.
 - i) Adherence to provisions of the Financial Transactions Reporting Act, No.6 of 2006 and regulatory requirements as set out in the rules, regulations and guidelines issued thereunder to combat money laundering and terrorist finance activities.
 - j) Establish systems and procedures to ensure the maintenance of confidentiality and the protection of LFC customers' information.
 - k) Availability of business continuity plan to ensure uninterrupted mobile phone based e-money services offered by the LSPs and their merchants.
 - l) Assessment of the suitability of LSPs and their merchants prior to commencing the mobile phone based e-money service on the following minimum criteria.
 - i. Demonstrate integrity and professional standards in its business conduct.
 - ii. Possess adequate resources to support effective implementation of anti-money laundering and combating financing of terrorism measures, record keeping, internal controls and consumer protection measures.
 - iii. Not been involved in any illegal/unethical activities.
 - iv. Possess knowledge and competency to deliver high quality mobile phone-based e-money services.
 - v. Demonstrate the ability to control all risks related to mobile phone based e-money transactions.

Schedule II

Confirmation of the Chief Executive Officer

Confirmation of the Chief Executive Officer of an LFC shall at minimum cover the following requirements with respect to the proposed mobile phone based e-money services offered by LSPs and their merchants.

- a) Make an explicit, informed and documented decision through awareness campaigns on the use of proposed mobile phone based e-money services offered by LSPs and their merchants to LFCs' customers.
- b) The beneficiary LFC account holder shall be notified of the mobile phone based e-money transaction on a real time basis through a SMS and/or email sent by an LFC.
- c) Availability of processes of mobile phone based e-money services offered by LSPs and their merchants as reflected in the operational manuals of LFCs.
- d) Availability of systems and procedures to ensure the mobile phone based e-money services offered by LSPs and their merchants are reconciled between LSP, LFC and the LFC customer account.

- e) Maintenance of an up-to-date list /database of LSPs and their merchants involving in mobile phone based e-money service including name, contact number and physical location/address.
- f) Ensure the LSPs and their merchants have proper security controls to safeguard the information from both internal and external threats.
- g) Availability of a dedicated hotline number for customer to raise complaints or grievances with respect to the proposed mobile phone based e-money services offered by LSPs and their merchants.

Schedule III

The details of merchants of LSP (but not limited to the below).

- a) Name of the merchant
- b) Business registration number
- c) Registered address and contact details (including postal address if different from the registered address)
- d) Core business activities
- e) Financial soundness

Schedule IV

A brief feasibility report on the proposed mobile phone based e-money services offered by LSPs and their merchants.

- a) Scope of the business proposal
- b) Parties involved
- c) Cost/benefit analysis
- d) Charges/fees to the customers

Ref No: 24/06/002/0002/002

18 April 2022

To: All Chief Executive Officers of Licensed Finance Companies,

Dear Sir/Madam

AMENDMENTS TO THE MAXIMUM INTEREST RATES ON DEPOSITS AND DEBT INSTRUMENTS BY LICENSED FINANCE COMPANIES (LFCs)

This is to inform you that the Monetary Board of the Central Bank of Sri Lanka at its meeting held on 12.04.2022 has granted approval to the followings.

1. Revoke the Finance Business Act Direction No.04 of 2020 on Amendments to the Maximum Interest Rates on Deposits and Debt Instruments, and withdraw the letter issued to LFCs on 31.03.2022,
2. Revoke Section 2 of the Finance Business Act Direction No.01 of 2019 on Maximum Interest Rates on Deposits and Debt Instruments on 'Applicable Standing Deposit Facility Rate (SDFR) and Yield Rate', and
3. Allow LFCs to decide the maximum interest rates on deposits and debt instruments based on,
 - (a) the prevailing SDFR, and
 - (b) the moving average of Weighted Average Yield Rate (WAYR) of the last four T-bills primary auctions as given in Table 1 and Table 2 below¹. The LFCs are allowed at their discretion to revise the maximum interest rates on deposits and debt instruments on the following day of the T-bills auction:

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	Prevailing SDFR

¹. The maximum interest rates on deposits and debt instruments applicable as at 18.04.2022 are given in Annex I to this letter as a guidance for LFCs to calculate the maximum interest rates on deposits and debt instruments in the future.

Term Deposits	
01 month and less than 03 months	91 days T-bills WAYR
03 months and less than 06 months	182 days T-bills WAYR + 0.25%
06 months and less than 01 year	364 days T-bills WAYR + 0.50%
01 year and less than 02 years	364 days T-bills WAYR + 2.00%
02 years and less than 03 years	364 days T-bills WAYR + 2.75%
03 years and less than 05 years	364 days T-bills WAYR + 3.25%
05 years	364 days T-bills WAYR + 4.25%

Table 02: Maximum Interest Rates at Maturity for Debt Instruments of LFCs

Tenure of Debt Instruments	Maximum Interest Rate Per Annum
Less than 01 year	364 days T-bills WAYR + 0.50%
01 year and less than 02 years	364 days T-bills WAYR + 2.75%
02 years and less than 03 years	364 days T-bills WAYR + 3.25%
03 years and less than 05 years	364 days T-bills WAYR + 3.75%
05 years	364 days T-bills WAYR + 4.75%

However, LFCs are required to be vigilant on the maximum interest rates offered to the depositors by adopting proper assets and liabilities management practices.

Section 1.1(i), Section 1.1(ii), and Section 1.2 of the Finance Business Act Direction No.01 of 2019 on Maximum Interest Rates on Deposits and Debt Instruments are hereby revoked.

Yours faithfully
(Mrs.) R M C H K Jayasinghe
Director

Encl:Annex I

CALCULATING THE MAXIMUM INTEREST RATES APPLICABLE AS AT 18.04.2022 BASED ON THE LAST FOUR T-BILLS PRIMARY AUCTIONS

Table 1: Calculating the moving average WAYR

Last four T-bills Primary Auctions	11-Apr-22	06-Apr-22	30-Mar-22	23-Mar-22	Moving Average WAYR
91 days T-bills WAYR	19.71	14.12	12.92	12.10	14.71
182 days T-bills WAYR	22.73	15.36	12.25	11.98	15.58
364 days T-bills WAYR	23.36	15.69	12.28	12.00	15.83

Table 2: Calculating the maximum interest rates on term deposits

Tenure of Term Deposits	Maximum Interest Rate Per annum	Currently Applicable Maximum Interest Rate (%)
01 month and less than 03 months	91 days T-bills WAYR	14.71
03 months and less than 06 months	182 days T-bills WAYR + 0.25%	15.58 + 0.25 = 15.83
06 months and less than 01 year	364 days T-bills WAYR + 0.50%	15.83 + 0.50 = 16.33
01 year and less than 02 years	364 days T-bills WAYR + 2.00%	15.83 + 2.00 = 17.83
02 years and less than 03 years	364 days T-bills WAYR + 2.75%	15.83 + 2.75 = 18.58
03 years and less than 05 years	364 days T-bills WAYR + 3.25%	15.83 + 3.25 = 19.08
05 years	364 days T-bills WAYR + 4.25%	15.83 + 4.25 = 20.08

Table 3: Calculating the maximum interest rates on debt instruments

Tenure of Debt Instruments	Maximum Interest Rate Per annum	Currently Applicable Maximum Interest Rate (%)
Less than 01 year	364 days T-bills WAYR + 0.50%	15.83 + 0.50 = 16.33
01 year and less than 02 years	364 days T-bills WAYR + 2.75%	15.83 + 2.75 = 18.58
02 years and less than 03 years	364 days T-bills WAYR + 3.25%	15.83 + 3.25 = 19.08
03 years and less than 05 years	364 days T-bills WAYR + 3.75%	15.83 + 3.75 = 19.58
05 years	364 days T-bills WAYR + 4.75%	15.83 + 4.75 = 20.58

Circular No. 01 of 2022

20 July 2022

CONCESSIONS TO AFFECTED BORROWERS AMIDST THE PREVAILING EXTRAORDINARY MACROECONOMIC CIRCUMSTANCES

With a view to meeting the challenges faced by businesses and individuals engaged in various economic sectors due to the prevailing extraordinary macroeconomic circumstances, the Central Bank of Sri Lanka (CBSL), requests Licensed Finance Companies and Specialised Leasing Companies (hereinafter referred to as Non-Bank Financial Institutions (NBFIs)) to provide the following concessions, to affected borrowers, on a need basis.

These concessions are granted to devise suitable repayment arrangements based on the new repayment capacities of the borrower, on a case-by-case basis, while preserving NBFI sector stability by preventing from any elevated strain on the financial system. Accordingly, this Circular is issued to provide broad guidelines with prudential requirements for consistent implementation across all NBFIs. NBFIs may consider implementing these concessions through the Post COVID-19 Revival Units which have already been established in terms of the letter issued on 29 October 2021.

1 Concessions for Performing Credit Facilities

- 1.1 NBFIs are required to provide appropriate concessions (i.e., grace period for capital or interest or both capital and interest or part of the capital or interest, restructuring of credit facilities, or any other concession) for performing credit facilities of individuals or businesses (hereinafter referred to as borrowers) whose income or business has been adversely affected by the current macroeconomic conditions including those borrowers who were already subject to COVID-19 moratorium schemes. These concessions are expected to be provided to affected borrowers in all economic sectors, including but not limited to tourism, transportation, and Micro, Small and Medium scale Enterprises (MSMEs) engaged in business sectors such as manufacturing, services, agriculture, and construction on a case-by-case basis, for a period of six months from the date of this Circular, based on the new repayment capacity/viability of the borrower.
- 1.2 In the case of lease facilities, NBFIs shall devise a mechanism to structure the repayment plan not exceeding the contracted instalment value of the existing credit facility or facilities, with an extended tenure with a reasonable rate of interest, to match with the repayment capabilities of the borrowers. In the case of other credit facilities, NBFIs shall devise a suitable mechanism to structure the repayment plan.
- 1.3 In the case of credit facilities provided with a grace period as a concession, the interest rate applicable for the grace period under this circular shall not exceed 20% or the contractual rate of interest applied prior to consideration of the grace period plus 5%, whichever is lower, and shall be charged only on the amount considered for the grace period.

2 Facilitating Early Settlements

- 2.1 In the case where any borrower wishes to fully settle any of the existing credit facilities, such borrower shall be given the opportunity to do so, without charging any additional fee, such as early settlement charges and recovery of future interest.
- 2.2 Any borrower who is willing for an early settlement of credit facilities shall make a request to the respective NBFI on or before 30.09.2022.

3 Concessions for Non-Performing Credit Facilities

- 3.1 NBFIs may consider providing appropriate concessions, such as grace period for capital or interest or both capital and interest or part of the capital or interest, restructuring, rescheduling or any other concession, on a case-by-case basis, considering the future repayment capacity/viability of such individuals and businesses/projects.
- 3.2 Interest rate applicable for concessions on grace period granted to non-performing credit facilities, shall not exceed 20% or the contractual rate of interest applied prior to consideration of the grace period plus 5%, whichever is lower.
- 3.3 NBFIs shall suspend forced seizure and repossession of leased assets that have been classified as non-performing on or after 01.01.2020, until 31.12.2022 in order to enable the borrowers to arrange timely repayments.
- 3.4 In case where a NBFI has commenced or given notice of recovery action for a leased asset, such recovery actions shall be suspended until 31.12.2022, on the condition that the concerned NBFI and the borrower reach a debt repayment agreement.

3.5 NBFIs shall defer passing new resolutions for recovery of such loans and advances until 31.12.2022, on condition that the concerned NBFIs and the borrower reach a debt repayment agreement. In instances where resolutions for recovery actions have already been passed, seizure and repossession of leased asset shall be suspended until 31.12.2022.

3.6 However, willful defaulters, defaults due to diversion of funds, defaults due to mismanagement and/or frauds in the business and unviable projects shall not be considered for any of the above concessions.

3.7 NBFIs may continue the routine collection procedure/recovery follow up without excessively contacting, visiting, or forcing the borrower.

4 Reporting to the Credit Information Bureau

4.1 NBFIs shall not decline new loan applications from borrowers solely based on adverse CRIB records.

4.2 NBFIs shall develop a reporting modality, in consultation with CRIB, to report concessions granted to affected borrowers, if necessary.

5 Accounting Treatment

5.1 NBFIs shall adhere to Sri Lanka Accounting Standards with regard to accounting for the facilities considered for concessions.

5.2 NBFIs may seek advice from the Institute of Chartered Accountants of Sri Lanka and Auditors for additional guidance/clarifications in this regard.

6 Transparency of the Concessions

6.1 Eligible borrowers may request for the above concessions on or before 15 August 2022 in writing or through electronic means.

6.2 NBFIs shall make the decision on whether to accept or decline the request made by the borrower within one month of the receipt of the request and duly inform the borrower of such decision.

6.3 NBFIs shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities and the applicable interest rate prior to approval and the consent of the borrower shall be obtained in writing or through electronic means.

7 Reporting Requirement

NBFIs shall report the details of concessions availed to their borrowers to the Department of Supervision of Non-Bank Financial Institutions, as at each month end, within 15 working days, commencing from 31 August 2022. A reporting format will be issued in due course.

Dr. P Nandalal Weerasinghe
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Finance Business Act Directions No. 03 of 2022

02 September 2022

RECORDING OF UNIQUE IDENTIFICATION NUMBERS OF DEPOSITORS

- | | | |
|---|-----|--|
| 1. Legal provisions | 1.1 | In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board of the Central Bank of Sri Lanka introduces these directions on recording of Unique Identification Numbers (UINs) of the depositors of all finance companies (FCs) licensed under the Finance Business Act, No. 42 of 2011. |
| 2. Objectives of the directions | 2.1 | Mandate recording of UINs of depositors of all FCs to facilitate the compiling of information by the Resolution and Enforcement Department of the Central Bank of Sri Lanka, under the Depositor Wise Data Collection System, and strengthen the soundness and integrity of the information management process for key policy decisions of the financial sector. |
| 3. Recording of the UIN of the Depositor | 3.1 | All FCs shall record and report the UIN for each depositor in their core information systems as illustrated in Table 1 of Annexure I. |

- 4. Effective date** 4.1 The Directions will be effective from 01.10.2022. Accordingly, all FCs shall comply with the requirements of these Directions with effect from 01.10.2022 for all new depositors subject to the transitional provisions stated in Section 5 below.
- 5. Transitional provisions** 5.1 All FCs shall complete recording of UINs of all existing depositors in terms of these Directions by 31.12.2023.

Dr. P Nandalal Weerasinghe

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

Annex I

TABLE 1: UNIQUE IDENTIFICATION NUMBERS FOR EACH CATEGORY OF DEPOSITORS OF FC

#	Type of Depositor	Type of Identification Number	Remarks												
1.	Individuals														
1.1	Sri Lankan citizens	National Identity Card (NIC) Number	FCs can accept Driving License or Passport of the depositor to open accounts, but it is compulsory to record NIC number in their systems												
1.2	Sri Lankan citizens (residing outside Sri Lanka/PR holders/TR holders), Sri Lankan dual citizens (residing in Sri Lanka), Sri Lankan dual citizens (residing outside Sri Lanka)	NIC Number	Sri Lankan passport number can only be used when NIC has been temporarily surrendered by a depositor												
1.3	Non-Sri Lankan citizens	Foreign Passport Number	Including foreign national of Sri Lankan origin (residing outside Sri Lanka), Foreign national on temporary visit to Sri Lanka or intending to visit Sri Lanka, Foreign Diplomat												
1.4	Minor Depositors	Date of Birth + Birth Certificate number Eg : Date of Birth: 2005 January 7th (2005.01.07) Birth Certificate Number: 0325 <table><tr><td>2</td><td>0</td><td>0</td><td>5</td><td>0</td><td>1</td><td>0</td><td>7</td><td>0</td><td>3</td><td>2</td><td>5</td></tr></table>	2	0	0	5	0	1	0	7	0	3	2	5	Date of Birth followed by the Birth Certificate Number in the same field to create a 12-digit number
2	0	0	5	0	1	0	7	0	3	2	5				
2.	Institutions														
2.1	Companies registered under the Companies Act	Company Registration Number	-												
2.2	Non-Governmental organizations	Registration number issued by the National Secretariat for Non-Governmental organizations	-												
2.3	Institutions registered under divisional/ local government bodies such as proprietorships/partnerships/joint ventures etc.	Business Registration Number	-												
2.4	All other entities such as Clubs, Associations, Societies etc.	Registration number issued by the relevant authorities	-												

Ref No: 24/10/001/0019/005

29 November 2022

To: Chief Executive Officers, Licensed Finance Companies,

Dear Sir/Madam

GUIDELINES ON SUSTAINABLE FINANCE ACTIVITIES

We enclose herewith 'the Guidelines on Sustainable Finance Activities', applicable to all licensed finance companies (LFCs).

These guidelines are issued considering the importance of a sustainable economy and the need for providing with a governance and risk management framework for sustainable finance activities of LFCs, with a view to facilitating the sustainable finance initiatives of LFCs in line with the Roadmap for Sustainable Development published by the Central Bank of Sri Lanka in 2019.

Hereby, all LFCs are requested to communicate the attached guidelines to all the relevant officers and comply with the requirements as specified in the guidelines.

Yours faithfully
(Mrs.) R M C H K Jayasinghe
Director

Encl: The Guidelines on Sustainable Finance Activities

GUIDELINES ON SUSTAINABLE FINANCE ACTIVITIES**1. Introduction**

- 1.1. The Central Bank of Sri Lanka (CBSL) having considered the importance of committing to achieving the Sustainable Development Goals set by the United Nations and the need to transit Sri Lanka towards a green, inclusive and balanced economy, published the Roadmap for Sustainable Development (the Roadmap) on 10.04.2019. The Roadmap provides a broader direction to financial regulators and financial institutions to effectively manage environmental, social and governance (ESG) risks associated with projects they finance and to assist businesses that are greener, climate friendly and socially inclusive.
- 1.2. Further, CBSL published the Sri Lanka Green Finance Taxonomy (the Taxonomy) on 06.05.2022, establishing a classification and measurement system for sustainable finance activities in Sri Lanka.

2. Objective of the Guidelines

- 2.1. These guidelines are issued considering the importance of a sustainable economy and the need for providing with a governance and risk management framework for sustainable finance activities of Licensed Finance Companies (LFCs), with a view to facilitating the sustainable finance initiatives of LFCs in line with the Roadmap.

3. Applicability

- 3.1. These guidelines shall be applicable to all LFCs.

4. Implementation of the Roadmap and Reporting to the Director, Department of Supervision of Non-Bank Financial Institutions (the Director)

- 4.1. LFCs are required to implement the Roadmap, following the timelines given in its action plan, or as amended.
- 4.2. LFCs are required to submit information or documents as directed by the Director under the powers vested with the Director by the Section 15 of the Finance Business Act, No. 42 of 2011, on their sustainable finance activities in the manner, in such form and at such intervals or at times as shall be specified by the Director.

5. Identified Priority Sectors for Sustainable Finance Activities

- 5.1. The Taxonomy identifies the following priority sectors for sustainable finance activities:

- a) forestry and logging;
- b) agriculture;
- c) manufacturing;
- d) electric power generation, transmission and distribution;

- e) water supply, sewerage and waste management;
 - f) construction;
 - g) transportation and storage;
 - h) tourism and recreation;
 - i) information and communication technology;
 - j) financial services (facilitating provision of affordable insurance products to increase climate resilience of agriculture and tourism activities); and
 - k) other activities such as, gas, steam, and air conditioning supply, underground permanent geological storage of CO₂, Hydrogen storage.
- 5.2. LFCs are requested to utilize the Taxonomy to identify and classify the relevant activities to the above priority sectors, when granting funding and reporting on sustainable finance activities.
- 5.3. LFCs are encouraged to develop sustainable savings products and sustainable loan products, including sustainable leasing products.
- 5.4. LFCs are encouraged to support green and socially inclusive projects and issue guidance and operational tools, as required.

6. Governance Framework for Sustainable Finance Activities/Initiatives

- 6.1. Board of Directors (BODs) are encouraged to effectively and efficiently oversee the sustainable finance activities in LFCs.
- 6.2. LFCs are requested to develop a sustainable finance policy approved by BODs, at minimum including the followings:
- a) clear roles and responsibilities of BODs and senior management who are implementing sustainable finance activities;
 - b) identifying and managing of ESG risks, and risks relating to sustainable finance activities; and
 - c) parameters and metrics for measuring the progress of sustainable finance activities.
- 6.3. The Chief Executive Officer and relevant Key Responsible Persons of LFCs, under the guidance provided by BODs, are requested to ensure the followings:
- a) policies, tools, metrics, operational procedures and controls implemented by LFCs in respect of sustainable finance activities are reviewed and updated at least annually, and integrated with other relevant policies and procedures of LFCs;
 - b) adequate resources, skills and expertise are allocated to the implementation and management of sustainable finance activities;
 - c) clear articulation of roles and responsibilities of business units and functions in managing risks associated with sustainable finance activities; and
 - d) BODs are informed in a timely manner on the progress and material issues, relating to sustainable finance activities.

7. Risk Management

- 7.1. LFCs are requested to identify and evaluate ESG risks, and risks relating to sustainable business activities, considering the nature, scale, complexity and interconnectedness of their operations and assess the magnitude and materiality of such risks.
- 7.2. LFCs are requested to incorporate the identified ESG risks in LFC's overall risk management framework.
- 7.3. LFCs are requested to implement effective risk management practices and internal controls to mitigate the identified risks, and incorporate ESG risk management to the entire decision-making processes.

8. Capacity Building and Innovation

- 8.1. LFCs are encouraged to;
- a) develop ESG risk management skills of its staff members through internal or external trainings;
 - b) develop internal expertise to implement sustainable finance related activities or hire sustainable finance professional/s as appropriate, for such implementation; and
 - c) develop expertise in environmental stress testing and scenario analyses.

9. Disclosures and Reporting

9.1. LFCs are requested to disclose the following information related to sustainable finance activities in their annual reports:

- a) an overview on sustainable finance policies and activities;
- b) identified ESG and sustainable finance related risks and associated mitigation measures;
- c) the environmental and social impact of current and proposed investments and business activities;
- d) the progress made on sustainable finance related activities including implementation of the Roadmap and the action plan for the next year; and
- e) the total and annual amounts of sustainable funds raised for and funds allocated to sustainable finance related activities.

9.2. LFCs are requested to disclose the environmental and social impact generated from business activities using internationally recognised reporting frameworks, such as Global Reporting Initiative and recommendations of the Task Force on Climate-related Financial Disclosures.

