



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

25 May 2021

CIRCULAR

No. 05 of 2021

**CONCESSIONS FOR COVID-19 AFFECTED
BUSINESSES AND INDIVIDUALS**

With the outbreak of the third wave of COVID-19 in Sri Lanka, requests from many concerned parties and Government Authorities were received by the Central Bank of Sri Lanka (CBSL) to consider granting certain concessions to the affected borrowers/customers. Accordingly, with a view to meeting the challenges faced by businesses and individuals due to the third wave of COVID-19, CBSL requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), to extend the following concessions to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme). Further, licensed banks may offer additional concessions to businesses and individuals affected due to the third wave of COVID-19, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks, with a view to easing the burden on the borrowers of banks that are affected by the current disruption in business /income generating activities to duly repay their loans.

1. Deferment or restructuring of existing credit facilities in the performing category as at 15 May 2021

- (a) Licensed banks shall defer recovery of capital, interest, or both of the existing credit facilities of borrowers who are affected by the third wave of COVID-19, on case-by-case basis, during the period up to 31 August 2021, considering the financial difficulties faced by the eligible borrowers, such as loss of job, loss or reduction of income/salaries or sales, closure of business, etc.
- (b) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted in Rupees or in foreign currencies, considering the financial difficulties and repayment capacity of the eligible borrowers.
- (c) In the case of any Rupee facilities considered for the above deferment, licensed banks may charge an interest rate not exceeding the 364-days Treasury Bills auction rate as at 19 May 2021 plus 1 per cent per annum (i.e., 5.18% + 1% = 6.18% p.a.), for the deferred period and only on the amount deferred amount. In



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the case of foreign currency loans, licensed banks may charge a concessionary interest rate considering the prevailing low interest rates.

- (d) Alternatively, licensed banks may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on an interest rate, considering the prevailing low interest rates.
- (e) Licensed banks shall extend the due dates of revolving credit facilities, including but not limited to facilities such as working capital, pawning, temporary overdrafts, short-term trade finance facilities, etc., during the period up to 31 August 2021, provided such due dates fall during 15 May 2021 to 31 August 2021. Licensed banks may charge interest for the deferred period and only on the amount deferred amount as stated in 1 (c) above.
- (f) Penal interest shall not be accrued or charged during the concessionary period, i.e., 15 May 2021 to 31 August 2021.
- (g) Licensed banks shall accommodate any request from affected borrowers to delay the due dates of loans repayment by few days (maximum 10 working days) due to the ongoing travel restrictions, without deferring or re-structuring such facilities. Licensed banks shall not charge any additional interest or other charges for such delay.
- (h) Borrowers who are currently enjoying deferment of lease repayments under Circular No. 03 of 2021 issued on 13 March 2021 or moratorium under Circular No. 04 of 2021 issued on 19 March 2021 are not eligible for concessions provided above.

2. Concessions for credit facilities in the non-performing category as at 15 May 2021

- (a) Licensed banks may reschedule the existing non-performing credit facilities as at 15 May 2021, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on the terms and conditions including the interest rate.



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- (b) Licensed banks shall waive-off penal interest accrued or charged during the period 1 April 2020 to 15 May 2021, provided such facilities are considered for rescheduling under this scheme.
 - (c) Licensed banks shall suspend all types of recovery actions until 31 August 2021, against credit facilities that have been classified as non-performing on or after 01 April 2020.
3. Licensed banks shall not levy excessive fees or charges in relation to granting of concessions.
4. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,000 until 30 June 2021.
5. Licensed banks shall discontinue charging for cheque returns and stop payments in relation to all cheque payments until 30 June 2021.
6. Licensed banks shall discontinue late payment fee on credit cards and other credit facilities during the period up to 30 June 2021, for those who are demonstrably affected.
7. Licensed banks shall not charge any early settlement fee, in the case where a borrower has expressed his willingness to settle his/her existing credit facilities on or before 31 August 2021, instead of opting for the deferment or restructuring of the existing credit facility/facilities.
8. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka
 - (a) Licensed banks shall not decline loan applications from eligible borrowers under this Scheme solely based on an adverse CRIB record.
 - (b) Licensed banks, in consultation with CRIB, shall develop a reporting modality to report deferment/ restructuring granted under this Scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.
9. **Deadline for submission of request**
 - (a) Eligible borrowers may request for the above concessions on or before 21 June 2021 in writing or through electronic means. Licensed banks shall expeditiously communicate the concessions, deadline, and application format for submission to



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all eligible borrowers via printed and/or electronic means including e-mail and SMS.

- (b) Licensed banks shall accept any request submitted after 21 June 2021, if the reasons for delay in making such request is acceptable.
- (c) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for deferment or restructuring of credit facilities.
- (d) Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of declined requests, licensed banks shall clearly mention the reasons for such decline.

10. Accounting considerations on the moratorium

Licensed banks shall account for the concession granted under this scheme as per Sri Lanka Accounting Standards and additional guidance provided by CBSL under Circular No. 09 of 2020 dated 28 October 2020. Licensed banks may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

11. Reporting requirement

Licensed banks shall report the details of concessions availed by their borrowers to the Bank Supervision Department as at 30th of each month, within 15 working days, commencing 30 June 2021. The reporting format will be circulated in due course.

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