



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

**01 September 2021**

**CIRCULAR**

**No. 08 of 2021**

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

Considering the new surge in COVID-19 outbreak in Sri Lanka, requests from many concerned parties were received by the Central Bank of Sri Lanka (CBSL) to consider extending the concessions granted to the affected borrowers/customers under the Circular No. 05 of 2021 dated 25 May 2021. Accordingly, with a view to facilitating to meet the challenges faced by businesses and individuals due to the ongoing COVID-19 pandemic, CBSL requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), to extend the concessions granted under Circular No. 05 of 2021 dated 25 May 2021 as specified below. Further, licensed banks may offer additional concessions to businesses and individuals affected due to the COVID-19 pandemic, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular.

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. This Circular is not applicable for borrowers in the tourism sector, who are eligible to obtain concessions granted for the tourism sector.

1. **Deferment or restructuring of existing credit facilities in the performing category as at 01 September 2021**
  - (a) Licensed banks shall defer recovery of capital, interest or both of the existing performing credit facilities of borrowers who are affected by COVID-19, on case-by-case basis, during the period up to 31 December 2021, considering the financial difficulties faced by such borrowers, including loss of job, loss or reduction of income/salaries or sales, reduction or impairment business operations or the closure of business, etc.
  - (b) Licensed banks shall prioritise accommodating the requests for concessions made by borrowers in the Micro, Small and Medium Enterprises (MSME) sector.
  - (c) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted in Rupees and/or in foreign currencies, considering the financial difficulties and repayment capacity of the eligible borrowers.



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- (d) Licensed banks shall amalgamate the amounts fallen due during the previous moratorium/deferment schemes (i.e., capital, interest and applicable interest for the respective moratorium/deferment period on the respective moratorium/deferred amount) and the amounts falling due during the current scheme (i.e., capital and interest) in to one new loan. Licensed banks may charge an interest rate as stated in 1 (e) below commencing from 01 September 2021, on the new loan referred above and for the agreed period of repayment as referred in 1 (f) and (g) below, based on a separate loan amortization schedule for this period.
- (e) In the case of Rupee facilities considered for the above deferment, licensed banks may charge an interest rate not exceeding the latest available 364-days Treasury Bills auction rate as at 31 August 2021 plus 1 per cent per annum (i.e., 5.93% + 1% = 6.93%). In the case of foreign currency loans, licensed banks may charge a concessionary rate of interest. Further, interest for the remaining capital outstanding balance, excluding the deferred capital amount of the existing facility will continue to accrue at the contracted interest rate after the end of the deferment period.
- (f) In the case of installment loans including lease facilities, a licensed bank and the respective borrower need to agree on a repayment period commencing from 01 July 2022, up to 6 months, to settle the new loan referred to in 1 (d) above, considering the financial difficulties faced by such borrowers as stated in 1 (a) above. The borrower may commence the repayment of the new loan at an earlier date, if the borrower wishes to do so. However, the borrower shall commence repayment of existing facilities from 01 January 2022.
- (g) In the case where a borrower requests for a period beyond 6 months to settle the new loan referred to in 1 (d) above, the borrower and the bank need to agree on a concessionary interest rate beyond the 6 months period.
- (h) Licensed banks shall explain the benefits of commencing early repayment and the implications of extending the repayment period to the borrower, in order to encourage the borrower to commence early repayment of deferred amount.
- (i) Alternatively, licensed banks may restructure the existing credit facilities, on case-by-case basis, over a longer period, considering the repayment capacity of the borrower



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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.

- (j) 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., on case-by-case basis, during the period up to 31 December 2021, provided such due dates fall during 01 September 2021 to 31 December 2021. Licensed banks may charge interest for the deferred period and only on the deferred amount as stated in 1 (e) above.
- (k) Penal interest shall not be accrued or charged during the concessionary period, i.e., 01 September 2021 to 31 December 2021, for the amounts falling due during this period.
- (l) Licensed banks shall accommodate any request from affected borrowers to delay the due dates of loan repayments by few days (maximum 15 working days) due to the ongoing quarantine lockdown, without deferring or re-structuring such facilities. Licensed banks shall not charge any additional interest or other charges for such delay.

**2. Concessions for credit facilities in the non-performing category as at 01 September 2021**

- (a) Licensed banks may reschedule the existing non-performing credit facilities as at 01 September 2021, on case-by-case basis, 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, considering the prevailing low interest rates.
- (b) Licensed banks shall waive off penal interest accrued or charged during the period 1 April 2020 to 01 September 2021, provided such facilities are considered for restructuring under this scheme.
- (c) Licensed banks shall suspend all types of recovery actions until 31 December 2021 against credit facilities that have been classified as non-performing on or after 01 April 2020. Further, licensed banks shall take all the precautions not to excessively contact/force the borrower or visit the borrower as part of the routine collection procedure with regard to the above borrowers. In instances where there are on-going litigations in Courts relating to recovery, borrowers shall enter into an agreement in the Courts to obtain this concession.



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3. Licensed banks shall not levy excessive fees or charges in relation to granting of concessions and shall inform such fees or charges in writing to the borrower.
4. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,000 until 31 October 2021.
5. Licensed banks shall discontinue charging for cheque returns and stop payments in relation to all cheque payments until 30 September 2021.
6. Licensed banks shall discontinue late payment fee on all credit cards and other credit facilities during the period up to 31 October 2021 for those who are demonstrably affected.
7. In the case where a borrower who is eligible for concessions under this scheme, has expressed his/her willingness to settle his/her existing credit facilities or amounts fallen due during the moratorium period, instead of opting for concessions under this scheme, licensed banks are encouraged to provide interest rebates. Further, licensed banks shall waive-off early settlement fees and other fees and charges including recovery of future interest of lease facilities, if any, to such borrowers.
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. **Concessions for credit facilities granted under refinance/ interest subsidy schemes**

Licensed banks are required to seek necessary guidelines from the relevant agencies with regard to providing concessions for credit facilities granted under various refinance or interest subsidy schemes.
10. **Deadline for submission of request**
  - (a) Licensed banks shall circulate this Circular to all branches within 3 days and provide necessary internal guidelines/circulars within 7 days.
  - (b) Eligible borrowers may request for the above concessions on or before 21 September 2021 in writing or through electronic means. Licensed banks shall expeditiously



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communicate the concession, deadline and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.

- (c) Licensed banks shall accept any request submitted after 21 September 2021, if the reasons for delay in making such request is acceptable.
- (d) 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.
- (e) Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval and the consent of the borrower shall be obtained in writing or through electronic means.
- (f) In the case of a rejection of the application, licensed banks shall inform the applicant, preferably within 14 days, in writing/ through electronic medium, the reasons for such rejection, and that there is an opportunity for the borrower to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), Central Bank of Sri Lanka requesting for a review. The licensed bank shall advise the applicant by and through the same letter of rejection that the applicant is entitled to duly avail himself of the review facility, if the borrower so wishes.

**11. Accounting considerations on the moratorium**

Licensed banks shall account for the concession granted under this scheme as per Circular No. 09 of 2020 dated 28 October 2020. In the case of risk elevated borrowers or sectors, licensed banks are required make adequate impairment charges. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.

**12. Reporting requirement**

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

**Prof. W D Lakshman**

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