



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

**20 July 2022**

**CIRCULAR**

**No. 01 of 2022**

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**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 NBFIs 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.



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- 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 NBFIs 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.



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- 3.4 In case where a NBFIs 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 NBFIs 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.



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- 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 the borrowers and rejections of requests for concessions 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*