



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

09 November 2020

CIRCULAR

No. 10 of 2020

**DEBT MORATORIUM FOR COVID-19 AFFECTED
BUSINESSES AND INDIVIDUALS**

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

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

1. Tenure and applicability of the moratorium

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

2. Deadline for submission of the application

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



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3. Eligible borrowers

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

4. Eligible credit facilities

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

5. Structuring of the moratorium

- (a) Licensed banks shall convert the capital and interest on contracted rate falling due during the moratorium period from 1 October 2020 to 31 March 2021, or a shorter period as applicable, into a term loan.
- (b) Licensed banks may charge an interest rate for the converted loan, not exceeding the latest auction rate for 364-days Treasury Bills, available immediately after the respective moratorium period, plus 1 per cent per annum. In the case of foreign currency loans, licensed banks shall charge an interest rate below the current



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market interest rate or the contracted interest rate whichever is lower, for the converted loan.

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

6. Accounting considerations on the moratorium

Licensed banks shall account for the moratorium as per Sri Lanka Accounting Standards and any additional guidance provided by CA Sri Lanka (CASL) on Financial Reporting



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implications due to the outbreak of COVID-19. Licensed banks may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7. Reporting requirement

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

Prof. W D Lakshman

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