

PART III

MAJOR ADMINISTRATIVE MEASURES ADOPTED BY THE MONETARY BOARD IN 2015

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31 March 2015

**LIQUIDITY COVERAGE RATIO UNDER BASEL III LIQUIDITY STANDARDS FOR
LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

Issued under Sections 46(1) and 76J(1) of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006.

The Monetary Board issues these Directions for the implementation of Liquidity Coverage Ratio for Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) in accordance with “Basel III: International Framework for Liquidity Risk Measurement, Standards and Monitoring” and “Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools” issued by the Basel Committee on Banking Supervision in December 2010 and January 2013, respectively.

1. Empowerment under the Banking Act In terms of Sections 46(1) and 76J(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 or any LCB and LSB, respectively, regarding the manner in which any aspect of the business of such banks are to be conducted.
2. Minimum LCR Requirement Commencing from 1 April 2015, every LCB and LSB shall maintain Liquidity Coverage Ratios (LCR) as prescribed in Annex I hereto in respect of Rupee Liquidity Minimum Requirement for local currency operations and All Currency Liquidity Minimum Requirement for the overall operations effective from the dates indicated below.

Effective Date	1 April 2015	1 January 2016	1 January 2017	1 January 2018	1 January 2019 onwards
Minimum Requirement (per cent)	60	70	80	90	100

3. Implement appropriate systems Every LCB and LSB shall develop and implement appropriate systems and provide all resources necessary to implement LCR as per the Direction 2 above.
4. Regulatory Reporting Every LCB and LSB shall submit two separate returns on a monthly basis on or before the fifteenth day of the following month as per the formats and guidelines given in Appendices I to III to the Annex I hereto, via the Web-based Off-site Surveillance System.
5. Monitoring Tools Every LCB and LSB shall also monitor its liquidity position using the monitoring tools stated below as recommended in “Basel III: The Liquidity Coverage Ratio and Liquidity Risk Monitoring Tools” issued on January 2013 and document processes for application of such tools. However, this monitoring shall be only an additional minimum requirement and every LCB and LSB shall also monitor the liquidity position further relative to its size and nature of the business operations.
 - (i) **Contractual Maturity Mismatch:** Develop a metric to identify contractual maturity mismatch profile, i.e., the gaps between the contractual inflows and outflows of liquidity for defined time bands to assess the potential liquidity needs.
 - (ii) **Concentration of Funding:** Develop a metric to mitigate the funding concentration risk that may arise from significant counterparties, products/instruments, currencies, etc.
 - (iii) **LCR by Significant Foreign Currency:** Develop a metric to monitor LCR in each significant currency on an ongoing basis in order to capture potential currency mismatches. For the purpose of this Direction, significant currencies shall be determined internally based on the bank’s volume of transactions in such currencies and its ability to raise funds in foreign currency markets.
 - (iv) **Available Unencumbered Assets:** Develop a metric to provide data on the volume and key characteristics of all available unencumbered assets which have the potential to be used as collateral for raising additional funding from the secondary market and/or central banks.

P Samarasiri
Senior Deputy Governor
Central Bank of Sri Lanka

BASEL III LIQUIDITY STANDARDS ON LIQUIDITY COVERAGE RATIO

1. INTRODUCTION

- 1.1. The recent global financial crisis that began in 2007 revealed that certain banks even with adequate capital levels experienced severe stress due to lack of prudent liquidity risk management practices and due to sudden evaporation of liquidity from the market resulting from withdrawals of credit lines by market participants.
- 1.2. The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules on liquidity risk measurement, standards and monitoring on 16.12.2010. Two minimum standards, viz., the Liquidity Coverage Ratio and the Net Stable Funding Ratio, were prescribed by BCBS. In January 2013, the Basel Committee's oversight body, the Group of Central Bank Governors and Heads of Supervision (GHOS) endorsed the Basel III Liquidity Rule on LCR as the global minimum standard for liquidity risk.
- 1.3. LCR is expected to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus, reducing the risk of spillover from the financial sector to the real economy. LCR is one of the Basel Committee's key reforms to strengthen global liquidity regulations with the goal of promoting a more resilient banking sector.
- 1.4. Basel III Liquidity Standards mainly focus on internationally active banks. However, regulators have adopted these standards for other banks too with the view to further strengthen liquidity risk management, better comparison with international best practices, facilitate entity rating, Sovereign rating and international fund raising activities.

2. THE REGULATORY FRAMEWORK

2.1. Objective of LCR:

LCR intends to:

- a) promote short-term resilience of the liquidity risk profile of banks ensuring that banks have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately into cash in secondary market to meet their liquidity needs for a period of 30 calendar days under a liquidity stress scenario; and
- b) improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

2.2. Scope of application

Initially, LCR framework shall be applicable to banks on a standalone ("Solo") level including overseas operations through branches. Subsequently, for the banks incorporated in Sri Lanka, the scope will be extended to the consolidated ("Group") level.

2.3. LCR computation

The computation of LCR shall be based on the following formula.

$$\text{LCR} = \frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows over the next 30 calendar days}} * 100$$

2.4. Definition of High Quality Liquid Assets (HQLA)

2.4.1. HQLA are assets that satisfy all the following conditions:

- a) can be easily and immediately converted into cash at little or no loss of value,
- b) can be readily sold or used as collateral to obtain funds in a range of stress scenarios, and
- c) are unencumbered, i.e., without legal, regulatory or operational impediments.

2.4.2. Characteristics of HQLA

In determining HQLA, banks shall consider the fundamental characteristics and market related characteristics of such assets.

a) Fundamental characteristics

- i) **Low credit and market risk:** Assets that are less risky tend to have high liquidity. High credit standing of the issuer and a low degree of subordination increases an asset's liquidity. Low duration, low volatility,

low inflation risk and denomination in a convertible currency with low foreign exchange risk enhance an asset's liquidity.

- ii) **Ease and certainty of valuation:** An asset's liquidity increases if market participants are more likely to agree on its valuation. The pricing formula of a HQLA must be easy to calculate and should not depend on strong assumptions. The inputs into the pricing formula must also be publicly available. In practice, this should rule out the inclusion of most structured or exotic products.
- iii) **Low correlation with risky assets:** The stock of HQLA should not be subject to highly correlated risk. For example, assets issued by financial institutions are more likely to be illiquid in times of liquidity stress in the banking sector.
- iv) **Listed on a developed and recognised exchange market:** Being listed increases an asset's transparency.

b) Market related characteristics

- i) **Active and sizable market:** The asset should have active outright sale or repurchase agreement (repo) market at all times, i.e., a large number of market participants and a high trading volume. There should be historical evidence of market breadth such as price impact per unit of liquidity and market depth such as units of the asset that can be traded for a given price impact.
- ii) **Presence of committed market makers:** Quotes should be available for buying and/or selling a high-quality liquid asset.
- iii) **Low market concentration:** A diverse group of buyers and sellers in an asset's market increases the reliability of its liquidity.
- iv) **Capital flight towards quality assets:** Historically, the market should have shown tendencies to move into these types of assets in a systemic crisis.

2.5. Categories of HQLA

HQLA are categorised into two broad categories. Assets to be included in each category are those that the bank is holding on the first day of the stress period, irrespective of their residual maturity.

- a) **Level 1 assets:** Include cash in hand, qualifying Central Bank reserves and qualifying marketable securities that attract a 0% risk weight under the Basel II Capital Adequacy Framework.
- b) **Level 2 assets:** Include Level 2A assets and Level 2B assets up to a maximum of 40% of total HQLA.
 - (i) **Level 2A assets:** Include qualifying marketable securities and qualifying non-financial corporate debt securities that attract a 20% risk weight under the Basel II Capital Adequacy Framework and qualifying investments in gilt unit trusts, subject to a 15% haircut.
 - (ii) **Level 2B assets:** Include qualifying non-financial corporate debt securities with an External Credit Rating between A+ to BBB- and qualifying non-financial common equity shares, subject to a 50% haircut. Level 2B assets are limited to a maximum of 15% of total HQLA.

Assets to be included in each category with the applicable factors and limitations are indicated below.

Item	Factor
Stock of HQLA	
A. Level 1 assets	
<ul style="list-style-type: none"> • Cash in hand • Qualifying Central Bank balances and reserves in excess of the Statutory Reserves Ratio (SRR) • Qualifying marketable securities with a 0% risk weight 	100%
B. Level 2 assets (maximum of 40% of HQLA)	
Level 2A assets	
<ul style="list-style-type: none"> • Qualifying marketable securities with a 20% risk weight • Qualifying non-financial corporate debt securities (including commercial paper and promissory notes) • Qualifying investments in gilt unit trust backed by government of Sri Lanka securities 	85%
Level 2B assets (maximum of 15% of HQLA)	
<ul style="list-style-type: none"> • Qualifying non-financial corporate debt securities (including commercial paper and promissory notes) with an External Credit Rating between A+ to BBB- • Qualifying non-financial common equity shares 	50%
Total value of stock of HQLA	

2.6. Total net cash outflows

- 2.6.1 Total net cash outflows are defined as the total expected cash outflows minus total expected cash inflows for the subsequent 30 calendar days. Total expected cash outflows are calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down. Total expected cash inflows are calculated by multiplying the outstanding balances of various categories of contractual receivables by the rates at which they are expected to flow in up to an aggregate cap of 75% of the total expected cash outflows.
- 2.6.2 Banks shall not double count items, i.e., if an asset is included as part of the “stock of HQLA” (i.e. numerator), the associated cash inflows cannot be counted as “cash inflows” (i.e. part of the denominator).

2.7. Appendices

The Reporting formats for Rupee Liquidity Requirement (BSD-MF-19-RR) and All Currency Liquidity Requirement (BSD-MF-19-AR) along with the Guidelines for calculation of LCR and Mapping of notations of the Credit Rating Agencies for classification of assets for LCR are attached as follows.

- 2.7.1 Appendix I - Reporting formats for both Rupee Liquidity Requirement and All Currency Liquidity Requirement.
- 2.7.2 Appendix II - Guidelines for calculation of Liquidity Coverage ratio.
- 2.7.3 Appendix III - Mapping of notations of the Credit Rating Agencies for classification of assets for LCR.

Appendix I

REPORTING FORMATS FOR RUPEE LIQUIDITY REQUIREMENT (BSD-MF-19-RR) REPORTING FORMATS FOR ALL-CURRENCY LIQUIDITY REQUIREMENT (BSD-MF-19-AR) MONTHLY FINANCIAL RETURN (LKR'000)

Name of the Bank:

As at:

Part I - Calculation of LCR

Web-based Return Code	Item	Amount
19.1.1.0.0.0	Total Stock of HQLA = 19.2.0.0.0.0 of Part II	
19.1.2.0.0.0	Total Cash Outflows = 19.3.0.0.0.0 of Part III	
19.1.3.0.0.0	Total Cash Inflows = 19.4.0.0.0.0 of Part IV	
19.1.4.0.0.0	Net Cash Outflows = 19.1.2.0.0.0 - MIN(19.1.3.0.0.0, 75%*19.1.2.0.0.0)	
19.1.5.0.0.0	Liquidity Coverage Ratio,% = (19.1.1.0.0.0/19.1.4.0.0.0)*100	

Part II - Calculation of High Quality Liquid Assets (HQLA)

Web-based Return Code	Asset	Amount	Factor	Weighted Amount
19.2.0.0.0.0	Total stock of HQLA			
19.2.1.0.0.0	Total Adjusted Level 1 Assets			
19.2.1.1.0.0	Level 1 Assets			
19.2.1.1.1.0	Cash in hand		100%	
19.2.1.1.2.0	Qualifying central bank balances and reserves in excess of Statutory Reserve Ratio		100%	
19.2.1.1.3.0	Qualifying marketable securities with a 0% risk weight			
19.2.1.1.3.1	Issued by sovereigns		100%	
19.2.1.1.3.2	Guaranteed by sovereigns		100%	
19.2.1.1.3.3	Issued or guaranteed by central banks		100%	
19.2.1.1.3.4	Issued or guaranteed by BIS, IMF, ECB and European Community or MDBs		100%	
19.2.1.2.0.0	Adjustments			
19.2.1.2.1.0	Add: Market value of level 1 securities pledged for secured funding		100%	

19.2.1.2.2.0	Add: Amounts extended through secured lending		100%	
19.2.1.2.3.0	Less: Market value of level 1 securities received for secured lending		100%	
19.2.1.2.4.0	Less: Amounts raised through secured funding		100%	
19.2.2.0.0.0	Total Adjusted Level 2A Assets			
19.2.2.1.0.0	Level 2A Assets			
19.2.2.1.1.0	Qualifying marketable securities with a 20% risk weight:			
19.2.2.1.1.1	Issued or guaranteed by sovereigns		85%	
19.2.2.1.1.2	Issued or guaranteed by central banks		85%	
19.2.2.1.1.3	Issued or guaranteed by Public Sector Enterprises		85%	
19.2.2.1.1.4	Issued or guaranteed by MDBs		85%	
19.2.2.1.2.0	Qualifying non-financial Corporate debt securities (including commercial paper and promissory notes)		85%	
19.2.2.1.3.0	Qualifying investments in gilt unit trust backed by Government of Sri Lanka (GOSL) securities		85%	
19.2.2.2.0.0	Adjustments			
19.2.2.2.1.0	Add: Market value of level 2A securities pledged for secured funding		85%	
19.2.2.2.2.0	Add: Amounts extended through secured lending		85%	
19.2.2.2.3.0	Less: Market value of level 2A securities received for secured lending		85%	
19.2.2.2.4.0	Less: Amounts raised through secured funding		85%	
19.2.3.0.0.0	Total Adjusted Level 2B Assets			
19.2.3.1.0.0	Level 2B Assets			
19.2.3.1.1.0	Qualifying non-financial corporate debt securities (including commercial paper and promissory notes) with an External Credit Rating between A+ to BBB-		50%	
19.2.3.1.2.0	Qualifying non-financial common equity shares		50%	
19.2.3.2.0.0	Adjustments			
19.2.3.2.1.0	Add: Market value of level 2B securities pledged for secured funding		50%	
19.2.3.2.2.0	Add: Amounts extended through secured lending		50%	
19.2.3.2.3.0	Less: Market value of level 2B securities received for secured lending		50%	
19.2.3.2.4.0	Less: Amounts raised through secured funding		50%	

Part III - Calculation of Total Cash Outflows

Web-based Return Code	Item	Amount	Factor	Weighted Amount
19.3.0.0.0.0	Total cash outflows			
19.3.1.0.0.0	Deposits			
19.3.1.1.0.0	Demand, savings and term deposits (less than 30 days maturity)			
19.3.1.1.1.0	Retail customers		10%	
19.3.1.1.2.0	Small business customers		10%	
19.3.1.2.0.0	Term deposits with residual maturity greater than 30 days		0%	
19.3.2.0.0.0	Unsecured wholesale funding			
19.3.2.1.0.0	Operational deposits generated by clearing, custody and cash management activities		25%	
19.3.2.2.0.0	Cooperative banks in an institutional network (qualifying deposits with the centralised institution)		25%	
19.3.2.3.0.0	Non-financial corporates, sovereigns, central banks, MDBs and Public Sector Enterprises		40%	
19.3.2.4.0.0	Other legal entity customers		100%	

19.3.3.0.0.0	Secured funding transactions			
19.3.3.1.0.0	Backed by Level 1 assets		0%	
19.3.3.2.0.0	Backed by Level 2A assets		15%	
19.3.3.3.0.0	Backed by Level 2B assets		50%	
19.3.3.4.0.0	Backed by all other assets		100%	
19.3.4.0.0.0	Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations			
19.3.4.1.0.0	Committed (irrevocable) credit & liquidity facilities			
19.3.4.1.1.0	Undrawn committed credit & liquidity facilities to retail and small business customers		5%	
19.3.4.1.2.0	Undrawn committed credit facilities to non-financial corporates, sovereigns, CBs, PSEs and MDBs		10%	
19.3.4.1.3.0	Undrawn committed liquidity facilities to non-financial corporates, sovereigns, CBs, PSEs and MDBs		30%	
19.3.4.1.4.0	Undrawn committed liquidity facilities to banks subject to prudential supervision		40%	
19.3.4.1.5.0	Undrawn committed credit facilities to other financial institutions		40%	
19.3.4.1.6.0	Undrawn committed liquidity facilities to other financial institutions		100%	
19.3.4.1.7.0	Undrawn committed credit & liquidity facilities to other legal entities		100%	
19.3.4.2.0.0	Other contingent funding obligations			
19.3.4.2.1.0	Unconditionally revocable "uncommitted" credit and liquidity facilities		0%	
19.3.4.2.2.0	Trade Finance related obligations (including guarantees and letters of credit)		5%	
19.3.4.2.3.0	Guarantees unrelated to trade finance obligations		0%	
19.3.4.2.4.0	Other contractual cash outflows		100%	
19.3.5.0.0.0	Additional requirements			
19.3.5.1.0.0	Net derivative cash outflows		100%	
19.3.5.2.0.0	Any other contractual cash outflows		100%	

Part IV - Calculation of Total Cash Inflows

Web-based Return Code	Item	Amount	Factor	Weighted Amount
19.4.0.0.0.0	Total cash inflows			
19.4.1.0.0.0	Maturing secured lending transactions backed by the following collateral			
19.4.1.1.0.0	Backed by Level 1 assets		0%	
19.4.1.2.0.0	Backed by Level 2A assets		15%	
19.4.1.3.0.0	Backed by Level 2B assets		50%	
19.4.1.4.0.0	Margin lending backed by non-Level 1 or non-Level 2 collateral		50%	
19.4.1.5.0.0	Backed by all other assets		100%	
19.4.2.0.0.0	Committed facilities			
19.4.2.1.0.0	Credit facilities		0%	
19.4.2.2.0.0	Liquidity facilities		0%	
19.4.2.3.0.0	Other contingent funding facilities		0%	
19.4.3.0.0.0	Other inflows by counter party which are maturing within 30 days			
19.4.3.1.0.0	Retail and small business customers		50%	
19.4.3.2.0.0	Non-financial wholesale counterparties		50%	
19.4.3.3.0.0	Central Banks, Banks and Financial Institutions		100%	
19.4.4.0.0.0	Operational deposits		0%	
19.4.5.0.0.0	Other cash inflows			
19.4.5.1.0.0	Net derivative cash inflows		100%	
19.4.5.2.0.0	Other contractual cash inflows		50%	

GUIDELINES FOR CALCULATION OF LIQUIDITY COVERAGE RATIO

Web-based Return Code	Item
19.2.0.0.0.0	Total stock of HQLA
19.2.1.0.0.0	Total Adjusted Level 1 Assets
19.2.1.1.0.0	Level 1 Assets
19.2.1.1.1.0	Cash in hand All cash (coins and bank notes) held by the bank that is immediately available to meet obligations.
19.2.1.1.2.0	Qualifying central bank balances and reserves in excess of Statutory Reserve Ratio (SRR) Central Bank balances and reserves in excess of SRR maintained which can be drawn down in times of stress. The balance held at CBSL which represents part of the capital held in foreign currency should not be included, since it is part of capital.
19.2.1.1.3.0	Qualifying marketable securities with a 0% risk weight and shall satisfy all of the following: (i) Traded in large, deep and active repo or cash markets characterized by a low level of concentration; (ii) Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions; (iii) Not an obligation of a financial institution or any of its affiliated entities; (iv) At the mark to market value; (v) Excluding securities pledged for secured funding/ repo irrespective of the maturity; (vi) Including securities received for secured lending/ reverse repo maturing over 30 days.
19.2.1.1.3.1	Issued by sovereigns Government of Sri Lanka - all claims. Foreign Sovereigns - where the sovereign attracts an External Credit Rating between AAA to AA-.
19.2.1.1.3.2	Guaranteed by sovereigns Government of Sri Lanka - all claims. Foreign Sovereigns - where the sovereign attracts an External Credit Rating between AAA to AA-.
19.2.1.1.3.3	Issued or guaranteed by central banks (CBs) Central Bank of Sri Lanka - all claims. Foreign Central Banks - where the sovereign attracts an External Credit Rating between AAA to AA-.
19.2.1.1.3.4	Issued or guaranteed by BIS, IMF, ECB and European Community or MDBs Issued or guaranteed by Bank for International Settlements (BIS), the International Monetary Fund (IMF), the European Central Bank (ECB), European Community (EC) and the following eligible Multilateral Development Banks (MDBs) * The World Bank Group comprising of the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC) * The Asian Development Bank (ADB) * The African Development Bank (AFDB) * The European Bank for Reconstruction and Development (EBRD) * The Inter-American Development Bank (IADB) * The European Investment Bank (EIB) * The European Investment Fund (EIF) * The Nordic Investment Bank (NIB) * The Caribbean Development Bank (CDB) * The Islamic Development Bank (IDB) * The Council of Europe Development Bank (CEDB) * The International Finance Facility for Immunization (IFFIm)
19.2.1.2.0.0	Adjustments

19.2.1.2.1.0	Add: Market value of level 1 securities pledged for secured funding Market value of the Level 1 asset collateral extended on secured funding or repo transactions that mature within 30 days.
19.2.1.2.2.0	Add: Amounts extended through secured lending Amounts extended through secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 1 (where collateral obtained not re-used).
19.2.1.2.3.0	Less: Market value of level 1 securities received for secured lending Market value of the Level 1 asset collateral (where collateral obtained not re-used) received on secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 1.
19.2.1.2.4.0	Less: Amounts raised through secured funding Amounts raised through secured funding or repo transactions conducted that mature within 30 days and are backed by Level 1 assets.
19.2.2.0.0.0	Total Adjusted Level 2A Assets
19.2.2.1.0.0	Level 2A Assets
19.2.2.1.1.0	Qualifying marketable securities with a 20% risk weight and shall satisfy all of the following conditions:
(i)	Traded in large, deep and active repo or cash markets characterised by a low level of concentration;
(ii)	Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e. A maximum decline of price or increase in haircut not exceeding 10% over a 30-day period of significant liquidity stress);
(iii)	Not an obligation of a financial institution or any of its affiliated entities;
(iv)	At the mark to market value;
(v)	Excluding securities pledged for secured funding/ repo irrespective of the maturity;
(vi)	Including securities received for secured lending/ reverse repo maturing over 30 days.
19.2.2.1.1.1	Issued or guaranteed by sovereigns Foreign Sovereigns - where the sovereign attracts an External Credit Rating between A+ to A-.
19.2.2.1.1.2	Issued or guaranteed by CBs Foreign Central Banks - where the sovereign attracts an External Credit Rating between A+ to A-.
19.2.2.1.1.3	Issued or guaranteed by Public Sector Enterprises (PSEs) Domestic and foreign PSEs - where PSE attracts an External Credit Rating between AAA to AA-.
19.2.2.1.1.4	Issued or guaranteed by MDBs MDBs other than MDBs listed above in 19.2.1.1.3.4 where MDB attracts an External Credit Rating between AAA to AA-.
19.2.2.1.2.0	Qualifying non-financial corporate debt securities (including commercial paper and promissory notes) that satisfy all of the following conditions:
(i)	Not issued by a financial institution or any of its affiliated entities;
(ii)	With an External Credit Rating of at least AA-;
(iii)	Traded in large, deep and active repo or cash markets characterised by a low level of concentration;
(iv)	Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions. (i.e. A maximum decline of price or increase in haircut not exceeding 10% over a 30-day period of significant liquidity stress);
(v)	At the mark to market value;
(vi)	Excluding securities pledged for secured funding/ repo irrespective of the maturity;
(vii)	Including securities received for secured lending/ reverse repo maturing over 30 days.
	In case of commercial paper and promissory notes
(i)	The issuer should be a non-financial institution
(ii)	All existing facilities obtained by the issuer from the investee bank should be "performing" in terms of the Banking Act Direction on Classification of Loans and Advances, Income Recognition and Provisioning.
(iii)	Commercial Paper/Promissory Notes should be backed by an approved standby credit line supporting the issue to the full redemption value from another licensed bank.

19.2.2.1.3.0	Qualifying investments in Gilt Unit Trust (GUT) backed by GOSL securities, subject to:
(i)	GUTs should be open ended mutual funds;
(ii)	Underlying investment portfolio of GUTs should always be Sri Lanka Government Securities;
19.2.2.2.0.0	Adjustments
19.2.2.2.1.0	Add: Market value of level 2A securities pledged for secured funding Market value of the Level 2A asset collateral extended on secured funding or repo transactions that mature within 30 days.
19.2.2.2.2.0	Add: Amounts extended through secured lending Amounts extended through secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 2A (where collateral obtained not re-used).
19.2.2.2.3.0	Less: Market value of level 2A securities received for secured lending Market value of the Level 2A asset collateral (where collateral obtained not re-used) received on secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 2A.
19.2.2.2.4.0	Less: Amounts raised through secured funding Amounts raised through secured funding or repo transactions that mature within 30 days and are backed by Level 2A assets.
19.2.3.0.0.0	Total Adjusted Level 2B Assets
19.2.3.1.0.0	Level 2B Assets
19.2.3.1.1.0	Qualifying non-financial corporate debt securities (including commercial paper and promissory notes) that satisfy all of the following conditions:
(i)	Not issued by a financial institution or any of its affiliated entities;
(ii)	With an External Credit Rating between A+ and BBB-;
(iii)	Traded in large, deep and active repo or cash markets characterised by a low level of concentration;
(iv)	Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e. A maximum decline of price or increase in haircut not exceeding 20% over a 30-day period of significant liquidity stress);
(v)	At the mark to market value;
(vi)	Excluding securities pledged for secured funding/ repo irrespective of the maturity;
(vii)	Including securities received for secured lending/ reverse repo maturing over 30 days.
	In case of commercial paper and promissory notes
(i)	The issuer should be a non-financial institution
(ii)	All existing facilities obtained by the issuer from the investee bank should be "performing" in terms of the Banking Act Direction on Classification of Loans and Advances, Income Recognition and Provisioning
(iii)	Commercial Paper/Promissory Notes should be backed by an approved standby credit line, supporting the issue to the full redemption value from another licensed bank.
19.2.3.1.2.0	Qualifying non-financial common equity shares that satisfy all of the following conditions:
(i)	Not issued by a financial institution or any of its affiliated entities;
(ii)	Traded at recognized stock exchange and centrally cleared;
(iii)	Traded in large, deep and active repo or cash markets characterised by a low level of concentration;
(iv)	Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions (i.e., maximum decline of share price or increase in haircut not exceeding 40% over a 30 day period of significant liquidity stress);
(v)	Excluding securities pledged for secured funding/ repo irrespective of the maturity;
(vi)	Including securities received for secured lending/ reverse repo maturing over 30 days.
19.2.3.2.0.0	Adjustments
19.2.3.2.1.0	Add: Market value of level 2B securities pledged for secured funding Market value of the Level 2B asset collateral extended on secured funding or repo transactions that mature within 30 days.

19.2.3.2.2.0	Add: Amounts extended through secured lending Amounts extended through secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 2B (where collateral obtained not re-used).
19.2.3.2.3.0	Less: Market value of level 2B securities received for secured lending Market value of the Level 2B asset collateral (where collateral obtained not re-used) received on secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 2B.
19.2.3.2.4.0	Less: Amounts raised through secured funding Amount raised through secured funding or repo transactions that mature within 30 days and are backed by Level 2B assets.
19.3.0.0.0.0	Total cash outflows (Capital and accrued interest if any)
19.3.1.0.0.0	Deposits (including dormant deposits, collateralised customer deposits against lending, margin deposits and insured deposits under the Sri Lanka Deposit Insurance Scheme)
19.3.1.1.0.0	Demand, savings and term deposits (less than 30 days maturity)
19.3.1.1.1.0	Retail customers Deposits placed with a bank by a natural person.
19.3.1.1.2.0	Small business customers Deposits placed with a bank by non-natural person (i.e., legal entities of sole proprietorships, partnerships and clubs and societies).
19.3.1.2.0.0	Term deposits with residual maturity greater than 30 days Cash outflows related to retail term deposits with a residual maturity or withdrawal notice period of greater than 30 days will be excluded from total expected cash outflows if the depositor has no legal right to withdraw deposits within 30 days or if early withdrawal results in a significant penalty that is materially greater than the loss of interest. If a bank allows a depositor to withdraw such deposit without applying the corresponding penalty, or despite a clause that says depositor has no legal right to withdraw, the entire category should be treated as demand deposits regardless of the remaining maturity.
19.3.2.0.0.0	Unsecured wholesale funding Wholesale deposits and other general obligations that are raised from legal entities (incorporated companies). Wholesale deposits also include dormant deposits, collateralised customer deposits against lending, margin deposits and insured deposits under the Sri Lanka Deposit Insurance and Liquidity Support Scheme. In case of other general obligations, they shall not be collateralised by legal rights to specifically designated assets owned by the borrowing institution in the case of bankruptcy, insolvency, liquidation or resolution. Obligations related to derivative contracts are explicitly excluded from this definition.
19.3.2.1.0.0	Operational deposits generated by clearing, custody and cash management activities Financial and non-financial customer deposits placed with a bank, in order to facilitate their access and ability to use payment and settlement systems or make payments. These services must be provided under a legally binding agreement in addition to the account mandate to institutional customers (e.g. Vostro Accounts and collection accounts).
19.3.2.2.0.0	Cooperative banks in an institutional network (qualifying deposits with the centralized institution) Group of legally autonomous banks with a statutory framework of cooperation with common strategic focus and brand where specific functions are performed by central institutions. (e.g., Samurधि banks, rural banks, sanasa saving societies, cooperative societies).
19.3.2.3.0.0	Non-financial Corporates, Sovereigns, CBs, MDBs and PSEs All deposits and other extensions of unsecured funding from non-financial corporate customers, sovereigns, CBs, MDBs and PSEs not held specifically for operational purposes.
19.3.2.4.0.0	Other legal entity customers Deposits and other funding from other institutions (including banks, security firms, insurance companies, etc.), fiduciaries, beneficiaries, conduits and special purpose vehicles, affiliated entities of the bank and other entities that are not specifically held for operational purposes and not included in the prior categories.
19.3.3.0.0.0	Secured Funding Transactions

19.3.3.1.0.0	Backed by Level 1 assets Amounts raised through secured funding or repo transactions not conducted with the bank's domestic central bank and that mature within 30 days and are backed by Level 1 assets.
19.3.3.2.0.0	Backed by Level 2A assets Amounts raised through secured funding or repo transactions not conducted with the bank's domestic central bank and that mature within 30 days and are backed by Level 2A assets.
19.3.3.3.0.0	Backed by Level 2B assets Amounts raised through secured funding or repo transactions not conducted with the bank's domestic central bank and that mature within 30 days and are backed by Level 2B assets.
19.3.3.4.0.0	Backed by all other assets Amounts raised through secured funding or repo transactions not conducted with the bank's domestic central bank and that mature within 30 days and are backed by other assets (non-HQLA).
19.3.4.0.0.0	Undrawn portion of committed (irrevocable) facilities and other contingent funding obligations
19.3.4.1.0.0	Committed (irrevocable) credit & liquidity facilities
19.3.4.1.1.0	Undrawn committed credit & liquidity facilities to retail and small business customers
19.3.4.1.2.0	Undrawn committed credit facilities to non-financial corporates, sovereigns, CBs, PSEs and MDBs
19.3.4.1.3.0	Undrawn committed liquidity facilities to non-financial corporates, sovereigns, CBs, PSEs and MDBs
19.3.4.1.4.0	Undrawn committed credit & liquidity facilities to banks subject to prudential supervision
19.3.4.1.5.0	Undrawn committed credit facilities to other financial institutions
19.3.4.1.6.0	Undrawn committed liquidity facilities to financial institutions
19.3.4.1.7.0	Undrawn committed credit & liquidity facilities to other legal entities
19.3.4.2.0.0	Other contingent funding obligations Other contingent funding liabilities such as guarantees, Letter of Credit (LC), recoverable credit and liquidity facility.
19.3.4.2.1.0	Unconditionally revocable "uncommitted" credit and liquidity facilities Balances of undrawn credit and liquidity facilities where the bank has the right to unconditionally revoke the undrawn portion of these facilities (e.g., Overdraft and credit card undrawn portion).
19.3.4.2.2.0	Trade Finance related obligations (including guarantees and letters of credit) Trade finance instruments consist of trade-related (import - export related) obligations directly underpinned by the movement of goods or the provision of services.
19.3.4.2.3.0	Guarantees unrelated to trade finance obligations The outstanding amount of guarantees unrelated to trade finance obligations.
19.3.4.2.4.0	Other contractual cash outflows Any other contractual cash outflows within the next 30 calendar days should be captured in this standard, such as outflows to cover unsecured collateral borrowings, uncovered short positions, dividends or contractual interest payments as to what comprises the amounts included in this line.
19.3.5.0.0.0	Additional requirements
19.3.5.1.0.0	Net derivative cash outflows Banks should calculate, in accordance with their existing valuation methodologies, expected contractual derivative cash inflows and outflows. Cash flows may be calculated on a net basis (i.e., inflows can offset outflows) by counterparty. The sum of all net cash outflows should be reported here. The sum of all net cash inflows should be reported in net derivative cash inflows. Where derivative payments are collateralised by HQLA, cash outflows should be calculated net of any corresponding cash or collateral inflows that would result, all other things being equal, from contractual obligations for cash or collateral to be provided to the bank, if the bank is legally entitled and operationally capable to re-use the collateral in new cash raising transactions once the collateral is received. This is in line with the principle that banks should not double count liquidity inflows and outflows.
19.3.5.2.0.0	Any other contractual cash outflows Including any amount required to be installed in the central bank reserves within 30 days, any other contractual cash outflows.

19.4.0.0.0.0	Total cash inflows
19.4.1.0.0.0	Maturing secured lending transactions backed by the following collateral
19.4.1.1.0.0	Backed by Level 1 assets Amounts extended through secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 1 (where collateral obtained not re-used).
19.4.1.2.0.0	Backed by Level 2A Assets Amounts extended through secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 2A (where collateral obtained not re-used).
19.4.1.3.0.0	Backed by Level 2B Assets Amounts extended through secured lending or reverse repo transactions maturing within 30 days, in which the bank has extended cash and obtained collateral in the form of Level 2B (where collateral obtained not re-used).
19.4.1.4.0.0	Margin lending backed by non-Level 1 or non-Level 2 collateral Amounts extended through collateralised loans extended to customers for the purpose of taking leveraged trading positions ("margin loans") made against non-HQLA collateral.
19.4.1.5.0.0	Backed by all other assets Amounts extended through such transactions (other than those reported in 19.4.1.4.0.0) in which the bank has obtained collateral in another form than Level 1 or Level 2 assets.
19.4.2.0.0.0	Committed facilities Committed credit, liquidity or other contingent funding facilities that the bank holds in other institutions for its own purpose.
19.4.2.1.0.0	Credit facilities
19.4.2.2.0.0	Liquidity facilities
19.4.2.3.0.0	Other contingent funding facilities
19.4.3.0.0.0	Other inflows by counterparty which are maturing within 30 days
19.4.3.1.0.0	Retail and small business customers All payments (including interest payments and installments) from retail customers on performing facilities that is contractually due within the 30-day horizon.
19.4.3.2.0.0	Non-financial wholesale counterparties All payments (including interest payments and installments) from non-financial wholesale counterparties on performing facilities that is contractually due within the 30-day horizon.
19.4.3.3.0.0	Central Banks, Banks and Financial Institutions All payments (including interest payments and installments) from central banks, banks and financial institutions on performing facilities that is contractually due within the 30-day horizon.
19.4.4.0.0.0	Operational deposits Deposits held at other financial institutions for operational purposes such as clearing, custody and cash management purposes. Also includes deposits held at centralised institution of network of co-operative banks. These services must be provided under a legally binding agreement to institutional customers (e.g., Nostro Accounts, collection accounts, cash items in process of collection).
19.4.5.0.0.0	Other cash inflows
19.4.5.1.0.0	Net derivative cash inflows Banks should calculate, in accordance with their existing valuation methodologies, expected contractual derivative cash inflows and outflows. Cash flows may be calculated on a net basis (i.e., inflows can offset outflows) by counterparty. The sum of all net cash inflows should be reported here. The sum of all net cash outflows should be reported in net derivative cash outflows. Where derivatives are collateralised by HQLA, cash inflows should be calculated net of any corresponding cash or contractual collateral outflows that would result, all other things being equal, from contractual obligations for cash or collateral to be posted by the bank, given these contractual obligations would reduce the stock of HQLA. This is in line with the principle that banks should not double count liquidity inflows and outflows.
19.4.5.2.0.0	Other contractual cash inflows Any other contractual cash inflows to be captured.

Appendix III

MAPPING OF NOTATIONS OF THE CREDIT RATING AGENCIES FOR CLASSIFICATION OF ASSETS FOR LCR

Fitch Rating Lanka	RAM Ratings (Lanka) Limited	ICRA Lanka Limited	Standard and Poor's	Moody's	Fitch Ratings	Rating Scale for LCR
AAA (lka)	AAA	(SL) AAA	AAA	Aaa	AAA	AAA
AA+ (lka)	AA+	(SL) AA+	AA+	Aa1	AA+	AA+
AA (lka)	AA	(SL) AA	AA	Aa2	AA	AA
AA- (lka)	AA-	(SL) AA-	AA-	Aa3	AA-	AA-
A+ (lka)	A+	(SL) A+	A+	A1	A+	A+
A (lka)	A	(SL) A	A	A2	A	A
A- (lka)	A-	(SL) A-	A-	A3	A-	A-
BBB+ (lka)	BBB+	(SL) BBB+	BBB+	Baa1	BBB+	BBB+
BBB (lka)	BBB	(SL) BBB	BBB	Baa2	BBB	BBB
BBB- (lka)	BBB-	(SL) BBB-	BBB-	Baa3	BBB-	BBB-
BB+ (lka)	BB+	(SL) BB+	BB+	Ba1	BB+	BB+
BB (lka)	BB	(SL) BB	BB	Ba2	BB	BB
BB- (lka)	BB-	(SL) BB-	BB-	Ba3	BB-	BB-
B+ (lka)	B+	(SL) B+	B+	B1	B+	B+
B (lka)	B	(SL) B	B	B2	B	B
B- (lka) & Lower	B- & Lower	(SL) B- & Lower	B- & Lower	B3 & Lower	B- & Lower	B- & Lower

Ref. No. : 02/04/002/0015/002

15 April 2015

To : The Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

Dear Sir/Madam

EXPANDING ACCESS TO BANKING

We wish to draw your attention to the Interim Budget - 2015 enumerating several measures to enhance access to banking as summarised below:

- (i) Commercial banks to open their branches in remote areas.
- (ii) To open accounts to new customers without requiring a minimum initial deposit.
- (iii) To make all efforts to initiate bank accounts for all citizens and all grants and allowances that may devolve on them to be remitted through the banking system in the near future.
- (iv) To simplify rules and regulations, particularly in lending operations, to facilitate borrowers and the new simplified systems to be implemented from September 2015.

2. We request you to take appropriate measures to implement the above.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref : 02/17/600/0002/002

28 May 2015

To: The Chief Executive Officers of Licensed Commercial Banks

Dear Sir/Madam

RECOVERY OF ACCOMMODATION TO EXPORTERS

We write to inform you that:

- a. the Circular dated 16 October 2014 on the above subject is hereby rescinded, and
- b. the Circulars dated 22 January 2001, 29 January 2001, 16 February 2001 and 30 March 2001 on the above subject shall come into effect with an amendment to reduce the enhanced interest rate stated in the said Circulars from 1,000 basis points to 500 basis points.

This Circular shall come into operation with effect from 01 June 2015 and banks shall ensure that relevant customers are informed of the applicability of this Circular in advance.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref : 02/17/600/0002/002

03 August 2015

To: The Chief Executive Officers of Licensed Commercial Banks

RECOVERY OF ACCOMMODATION TO EXPORTERS

Further to our Circular dated 28 May 2015 on the above subject, licensed commercial banks (LCBs) are informed of the following.

- 1) The Central Bank of Sri Lanka, after considering the representations made by the Tea exporters that remittance of export proceeds is delayed due to geopolitical factors confronted by countries importing tea products from Sri Lanka, has decided that LCBs may use their judgment and discretion to enhance the period granted to settle export credit out of export proceeds up to 180 days from the date of shipment in respect of credit granted to tea exports, provided that such decision be taken by a duly authorised officer performing executive functions in the respective bank.
- 2) This Circular shall come into operation with effect from 01 June 2015.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref : 02/01/006/0200/002

03 August 2015

To: The Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

INTRODUCTION OF WEB-BASED RETURNS ON OPERATIONS OF BANKING OUTLET

The following new web based returns will be introduced in order to replace the information on operations of banking outlets currently being submitted quarterly by e-mail as per schedules II, III and IV of our letter dated 18.01.2012.

- i. BSD-QF-16-BD - Branch Distribution
- ii. BSD-QF-16-TM - Automated Teller Machines (ATMs)
- iii. BSD-QF-16-SU - Student Savings Units
- iv. BSD-QF-16-BP - Branch Performance

For the purpose of maintaining consistency, banks are required to submit the relevant information for the quarters ended 31.12.2014, 31.03.2015 and 30.06.2015 by 31.08.2015. Thereafter, these returns should be submitted on a quarterly basis, within 21 days after the end of each quarter

The information required to be submitted under schedule I of the letter mentioned above should continue to be emailed within 7 days of occurrence to banksup@cbsl.lk.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Ref : 02/17/500/0063/001

03 August 2015

To: The Chief Executive Officers of Licensed Commercial Banks and Licensed Specialised Banks

SUSPENSION OF LANKA RATING AGENCY LTD. AS AN ACCEPTABLE CREDIT RATING AGENCY

The Monetary Board has decided to suspend Lanka Rating Agency Ltd (LRA) as an acceptable credit rating agency for regulatory requirements pertaining to licenced commercial banks and licensed specialised banks with effect from 01.07.2015, consequent to the non-renewal of registration granted to LRA by the Securities and Exchange Commission of Sri Lanka.

Accordingly, you are requested to take appropriate measures in this regard.

Yours faithfully,
(Mrs.) T M J Y P Fernando
Director of Bank Supervision

Banking Act Directions No. 02 of 2015

14 September 2015

**LOAN TO VALUE RATIO FOR LOANS AND ADVANCES
IN RESPECT OF MOTOR VEHICLES**

Issued under Sections 46(1) and 76J(1) of the Banking Act, No. 30 of 1988, as amended.

The Monetary Board issues Directions as follows for the implementation of a loan to value (LTV) ratio in respect of loans and advances granted by licensed commercial banks (LCBs) and licensed specialised banks (LSBs) for the purpose of purchase or utilisation of motor vehicles.

- | | |
|--------------------------------------|--|
| 1. Empowerment under the Banking Act | 1.1 In terms of Sections 46(1) and 76J(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 or any LCB and LSB, respectively, regarding the manner in which any aspect of the business of such banks is to be conducted. |
| 2. Maximum LTV Ratio | 2.1 Commencing 15 September 2015, every LCB and LSB shall not grant loans and advances for the purpose of purchase or utilisation of a motor vehicle in excess of 70 per cent of the value of such vehicle (LTV Ratio of 70 per cent).
2.2 An LCB or LSB shall not grant loans and advances for the purpose of purchase or utilisation of motor vehicles, other than loans and advances granted in accordance with Direction 2.1 above. |
| 3. Interpretations | 3.1 In these Directions,
(a) Loans and advances shall include finance leases, hire purchase facilities and other loans and advances granted for the purpose of purchase or utilisation of motor vehicles.
(b) The value of the vehicle shall be the market value obtained from a professional valuer at the time of granting loans and advances, as per the prevailing practice. |

Arjuna Mahendran

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

Banking Act Directions No. 03 of 2015

29 October 2015

**LOAN TO VALUE RATIO FOR LOANS AND ADVANCES
IN RESPECT OF MOTOR VEHICLES**

Issued under Sections 46(1) and 76J(1) of the Banking Act, No. 30 of 1988, as amended.

Banking Act Direction No. 02 of 2015 dated 14 September 2015 on the above subject shall come in to force with effect from 01 December 2015.

Arjuna Mahendran

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

Ref: 02/17/550/0002/003

02 December 2015

To : The Chief Executive Officers of Licensed Commercial Banks

**GUIDELINE ON KEY MANAGEMENT PERSONNEL IN BANKING ACT DIRECTION ON CORPORATE
GOVERNANCE**

We write to inform you that key management personnel in Banking Act Direction No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks (LCBs) in Sri Lanka shall mean Officers Performing Executive Functions of LCBs as referred to in the Banking Act Determination No. 3 of 2010 on Assessment of Fitness and Propriety of Officers Performing Executive Functions in LCBs.

Yours faithfully,

(Ms.) S H Gunawardena
Director of Bank Supervision

Ref : 02/17/550/0002/003

02 December 2015

To : The Chief Executive Officers of Licensed Specialised Banks

GUIDELINE ON KEY MANAGEMENT PERSONNEL IN BANKING ACT DIRECTION ON CORPORATE GOVERNANCE

We write to inform you that key management personnel in Banking Act Direction No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks (LSBs) in Sri Lanka shall mean Officers Performing Executive Functions of LSBs as referred to in the Banking Act Determination No. 4 of 2010 on Assessment of Fitness and Propriety of Officers Performing Executive Functions in LSBs.

Yours faithfully,

(Ms.) S H Gunawardena

Director of Bank Supervision

Circular No. 35/01/005/0006/35

27 February 2015

To: All Licensed Commercial Banks and Primary Dealers

OPERATING INSTRUCTIONS ON OPEN MARKET OPERATIONS OF THE CENTRAL BANK OF SRI LANKA

This refers to the Circular No. 35/01/005/0006/34 dated 23rd September 2014 on the above subject. All licensed commercial banks and primary dealers are hereby informed that the 5 per cent Special Standing Deposit Facility Rate referred to in the said circular, is withdrawn with effect from 2nd March 2015.

Accordingly, Standing Deposit Facility Rate and Standing Lending Facility Rate will remain at 6.50 per cent and 8.00 per cent, respectively.

(Sgd) P W D N R Rodrigo

Director/Domestic Operations

Circular No. 35/01/005/0010/19

29 October 2015

To : All Licensed Commercial Banks

MARGIN REQUIREMENTS AGAINST LETTERS OF CREDIT FOR IMPORTATION OF MOTOR VEHICLES

Commercial Banks are hereby informed that with effect from 30 October 2015, until 01 December 2015, Letters of Credit (LCs) should not be opened by commercial banks for the importation of the items specified in Schedule A, unless such LCs are covered by a minimum cash margin of 100 per cent of import value deposited with the LC opening banks at the time of such LCs are opened.

Following conditions are applicable,

1. In the case of existing LCs covering the importation of the items mentioned in Schedule A, no increase in the value of such LCs should be permitted by banks except on the terms prescribed in the above paragraph.
2. The banks should not grant any advances to their import customers for the purpose of enabling such customers to meet the minimum margin requirements imposed by this circular. However, interest may be paid on margin deposits.
3. Banks should endorse the relevant invoice to the effect that the margin deposit as per this circular, has been obtained.

Director/Domestic Operations

**For and on behalf of the Monetary Board
of the Central Bank of Sri Lanka.**

OPERATING INSTRUCTIONS NO. 35/01/005/0007/09

31 December 2015

To: All Licensed Commercial Banks

RESERVE REQUIREMENTS

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) as amended and published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 1947/39 of 31 December, 2015 on the above subject.

The Licensed Commercial Banks are hereby informed that in accordance with the said notification, they should maintain reserves against deposit liabilities denominated in Sri Lankan Rupees at an amount equal to seven point five per centum (7.50%) of total of such deposit liabilities.

The above amendment takes effect from 16 January, 2016. All other instructions contained in our Operating Instructions No. 35/01/005/0007/06 and 35/01/005/0007/07 of 22 April, 2013 will continue to apply.

(Sgd) P W D N R Rodrigo
Director/Domestic Operations

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

No 1947/13 - TUESDAY DECEMBER 29, 2015
 (Published by Authority)

**PART 1 : SECTION (I) – GENERAL
 Central Bank of Sri Lanka Notices
 NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)**

By virtue of the powers vested in me under subsections (1) and (2) of Section 17 of the Exchange Control Act, I, Ravi Karunanayake Minister of Finance, do by this Order-

- (1) grant permission to persons resident in Sri Lanka who hold Non Resident Foreign Currency Accounts (NRFC), Resident Foreign Currency Accounts (RFC), Resident Non-Nationals' Foreign Currency Accounts (RNNFC) and Foreign Exchange Earners' Accounts (FEEA) to acquire, hold and transfer securities issued outside Sri Lanka by utilizing balances lying in the above accounts,
- (2) grant permission to persons resident in Sri Lanka holding the accounts referred to in paragraph (1) above to acquire, hold and transfer shares issued by way of capitalization of reserves or current year profits as a benefit on the shares, or by way of a sub division or split of the shares, which have been acquired initially in terms of the provisions granted hereby, and
- (3) further state that the permissions given hereunder shall be in addition to the provisions of the Order published in the Gazette (Extraordinary) Notification No 1686/50 of 01.01.2011.

**RAVI KARUNANAYAKE
 Minister of Finance**

Ministry of Finance
 Colombo
 21st December 2015

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

No 1947/14 - TUESDAY DECEMBER 29, 2015
 (Published by Authority)

**PART 1: SECTION (I) – GENERAL
 Central Bank of Sri Lanka Notices
 NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)
 PERMISSION IN TERMS OF SECTION 7 OF THE EXCHANGE CONTROL ACT**

1. NOTICE is hereby given under Section 7 of the Exchange Control Act read with Section 3 of the said Act that permission is granted to persons resident in Sri Lanka who maintain Non Resident Foreign Currency Accounts (NRFC), Resident Foreign Currency Accounts (RFC), Resident Non-Nationals' Foreign Currency Accounts (RNNFC) and Foreign Exchange Earners' Accounts (FEEA) to make payments out of balances lying in above accounts to persons resident outside Sri Lanka to:
 - i) acquire securities permitted by the Minister of Finance by Order published in the Government Gazette (Extraordinary) No. 1947/13 Dated 29.12.2015; and
 - ii) acquire any other asset of capital nature or for current account transactions as per the Operating Instructions No. EC/06/94 and guidelines No. EC/D/GL/1994/2 dated 18.03.1994 issued to Authorised Dealers on removal of Exchange Control restrictions on current (non- capital) transactions.

**MRS. T. M. J. Y. P. FERNANDO
 Controller of Exchange**

Central Bank of Sri Lanka
 Colombo
 21st December 2015

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

No 1947/15 - TUESDAY DECEMBER 29, 2015

(Published by Authority)

PART 1 : SECTION (I) – GENERAL

Central Bank of Sri Lanka Notices

NOTICE UNDER THE EXCHANGE CONTROL ACT (CHAPTER 423 OF THE CLE)

By virtue of the powers vested in me under Section 6AB of the Exchange Control Act read with Section 44 of the said Act, I, Ravi Karunanayake, Minister of Finance, do by this Order exempt persons resident in Sri Lanka from the application of the requirements under Section 6AB of the Exchange Control Act in respect of:

- a) securities acquired, held and transferred in terms of the permissions granted by the Minister of Finance under Section 17 of the Exchange Control Act, published in the Government Gazette (Extraordinary) No 1947/13 of 29.12.2015 and
- b) any other asset of capital nature acquired under the permission granted by the Controller of Exchange under Section 7 of the Exchange Control Act, published in the Government Gazette (Extraordinary) No 1947/14 of 29.12.2015.

RAVI KARUNANAYAKE
Minister of Finance

Ministry of Finance
Colombo
21st December 2015

Circular - 01/15

06 April 2015

To : CEOs of All Licensed Banks

Dear Sir/Madam,

REPORTING OF FOREIGN INWARD REMITTANCES

This refers to the Circular - 05/14 issued on November 27, 2014 on the above.

You are hereby informed that the above stated circular is revoked with immediate effect. However, the licensed banks are advised to continue monitoring the foreign currency remittances received by individuals and NGOs and report suspicious fund transfers, if any to the Financial Intelligence Unit promptly.

H. Amaratunga Director
Financial Intelligence Unit

PRIMARY DEALER COMPANIES (MINIMUM CORE CAPITAL) DIRECTION NO. 1 OF 2015

This direction is issued under Regulation 11(1)(o) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 dated 24.06.2009 and Regulation 11(1)(o) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 dated 24.06.2009 made by the Minister of Finance under the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937, respectively, and shall be effective from 28.10.2015.

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

Colombo.

Date : 28.10.2015

1. Every Primary Dealer Company shall, at all times, maintain an unimpaired core capital not less than Rs.1,000 million (Rupees One Thousand million).
2. For the purposes of this Direction, 'minimum core capital' shall mean the Tier I Capital as defined in the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 and the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009.
3. An existing Primary Dealer Company that does not meet the minimum core capital of Rs.1,000 million on the effective date of this Direction shall enhance its core capital in the following manner:

- (a) The core capital on the effective date of this Direction shall be enhanced by at least 50 per cent of the deficiency by 31st March 2016; and
 - (b) The balance of the deficiency shall be met by 1st October 2016.
4. Every Primary Dealer Company shall maintain a Special Risk Reserve and shall, out of the net profits after the payment of tax of each year, before any dividend is declared, transfer to the Special Risk Reserve a sum not less than 10 per cent of such profits.
 5. In this Direction, unless the context otherwise requires:-
 "Primary Dealer Company" means a company which is appointed in terms of the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937 and excludes a Licensed Commercial Bank so appointed as a Primary Dealer.
 6. The Direction on Enhancement of Minimum Capital Requirement, Dividend Distribution and Maintenance of Tier II Capital by Primary Dealers dated 18 April 2005 is revoked with effect from 28.10.2015.

PRIMARY DEALER COMPANIES (RISK WEIGHTED CAPITAL ADEQUACY RATIO - AMENDMENT) DIRECTION NO.2 OF 2015

This direction is issued under Regulation 11(1)(o) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009 dated 24.06.2009 and Regulation 11(1)(o) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 dated 24.06.2009 made by the Minister of Finance under the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937, respectively, and shall be effective from 28.10.2015.

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

Colombo.

Date: 28.10.2015

1. This Direction may be cited as Primary Dealer Companies (Risk Weighted Capital Adequacy Ratio-Amendment) Direction No.2 of 2015.
2. Paragraph 1 of the Direction on Risk Weighted Capital Adequacy Framework (RWCAF) for Primary Dealers dated 22.06.2006 (herein referred to as 'the Direction') is hereby amended as follows:
 - (i) Paragraph 1 (a):
 By repeal of words "the higher of Rs.300 million" thereof and the substitution therefor, of "the higher of Rs.1,000 million"
 - (ii) Paragraph 1 (c):
 By repeal of words "A minimum risk weighted capital adequacy ratio (CAR) of 8%" thereof and the substitution therefor, of "A minimum risk weighted capital adequacy ratio (CAR) of 10%"
3. Paragraph 3 of the Direction is hereby amended as follows:
 - (i) Paragraph 3.3:
 By repeal of words "minimum capital is Rs. 300 million" thereof and the substitution therefor, of "minimum capital is Rs. 1,000 million"
 - (ii) Paragraph 3.4:
 By repeal of words "the higher of Rs. 300 million" thereof and the substitution therefor, of "the higher of Rs. 1,000 million"

The following paragraph shall be inserted immediately after paragraph 3.6 of the Direction and shall read as paragraph 4 thereof.
4. Definitions
 - (i) "For the purpose of computing the risk weighted capital adequacy ratio, the constituents of capital shall be Tier I Capital and Tier II Capital as defined in the Local Treasury Bills (Primary Dealers) Regulations, No. 01 of 2009 and the Registered Stock and Securities (Primary Dealers) Regulations, No. 01 of 2009."

(ii) "In this Direction, unless the context otherwise requires:

"Primary Dealer Company" means a company which is appointed in terms of the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937 and excludes a Licensed Commercial Bank so appointed as a Primary Dealer.

Ref. 34/07/029/0001/002

12 January 2015

Circular No. RTGS/01/2015

To : All Participants of the LankaSettle System

DECLARATION OF 14 JANUARY 2015 AS A PUBLIC AND BANK HOLIDAY

This is to inform you that the LankaSettle System will not be open for business on 14 January 2015 (Wednesday), as the Government has declared the day as a public and bank holiday to commemorate the visit of His Holiness Pope Francis. All Participants are hereby informed not to enter any transactions to the System with the value date of 14 January 2015. If you have already entered transactions with the value date of 14 January 2015, such transactions are to be re-entered with the value date of 16 January 2015, as 15 January 2015 will also be a holiday.

(Mrs) Ranjani Weerasinghe

Director Payments and Settlements

(Mrs) U L Muthugala

Additional Superintendent Public Debt

Ref. 34/07/029/0001/002

30 April 2015

Circular No. RTGS/02/2015

To: All Participants of the LankaSettle System

LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE ON 08 MAY 2015

This is to inform you that the Central Bank of Sri Lanka (CBSL) will conduct operations of the LankaSettle System (RTGS System and LankaSecure System) and other related systems from its Disaster Recovery (DR) site on 08 May 2015 (Friday) for the purpose of testing the business continuity arrangements.

The PCs of your institution that have been connected to the CBSLNet have already been configured to access the CBSL DR site. However, you are requested to contact IT Department of CBSL and test the connectivity before 08 May 2015 to ensure the readiness. The contact details of CBSL IT officials are given below.

- Mr. Lasith Fernando – 0112477124 (e-mail : lasith@cbsl.lk)
- Mr. Rusiru Boralugoda – 0112398617 (e-mail : rusiru@cbsl.lk)

(Mrs) R A S M Dayarathna

Director Payments and Settlements

(Mrs) C M D N K Seneviratne

Superintendent Public Debt

Ref. 34/07/029/0001/002

02 July 2015

Circular No. RTGS/03/2015

To : All Participants of the LankaSettle System

REQUEST FOR EXTENSIONS OF THE LANKASETTLE SYSTEM AFTER BUSINESS HOURS

As you are aware, in terms of Rules 1.2 and 1.3 in the Volume 4 of the LankaSettle System Rules Version 2.1 issued in August 2013, the LankaSettle System is operated by the Central Bank of Sri Lanka (CBSL) based on a fixed business schedule. Accordingly, Participants are required to complete all transactions by 4.30 p.m. on every business day. Further, a request for an extension for an operating day could be made by a LankaSettle Participant, only in a critical circumstance.

However, it was observed that some Participants have made requests from Payments and Settlements Department (PSD) of CBSL on several occasions in the past few months to extend the closure time of the LankaSettle System, particularly just before the scheduled time for closing the System without adhering to the said System Rules. These practices have caused greater inconvenience not only to the operations of the relevant departments of CBSL but also to other LankaSettle Participants as well. The relevant departments of CBSL are compelled to keep their systems on, until said transactions are completed.

Therefore, you are hereby advised not to make requests to extend business hours of LankaSettle System beyond the stipulated time in the Daily Operating Schedule other than in the event of unforeseen contingencies. In such instances, a written request to the

Director, PSD has to be sent by an officer of the senior management of the Participant Institution before 4.00 p.m. of the respective business day with appropriate details in justifying the request.

(Mrs) R A S M Dayarathna
Director Payments and Settlements

(Mrs) C M D N K Seneviratne
Superintendent Public Debt

Payment and Settlement Systems Circular No. 01 of 2015

28 July 2015

To : The Chief Executive Officers of Licensed Banks and Licensed Finance Companies

**MAXIMUM LIMITS ON TRANSACTION VALUE AND FEES OF
COMMON ELECTRONIC FUND TRANSFER SWITCH**

This Circular is issued in terms of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005 (Act) read with Section 4 of the Act to promote and facilitate the Common Electronic Fund Transfer Switch (CEFTS) through greater customer participation.

2. All members of CEFTS shall adhere to the following maximum limits on transactions initiated by own customers through CEFTS.
 - 2.1 The maximum value of a fund transfer shall not exceed Rs. 5 million.
 - 2.2 The maximum fee charged on a transaction shall not exceed:
 - (a) Rs. 50 per transaction in respect of fund transfers effected through
 - i. Internet Banking;
 - ii. Mobile Banking; and
 - iii. ATMs of respective member of CEFTS.
 - (b) Rs. 100 per transaction in respect of fund transfers effected Over-the-Counter.
 - (c) Rs. 100 per transaction in respect of fund transfers effected through ATMs of other members of CEFTS.
3. This Circular shall come into operation with effect from 01 August 2015.

(Mrs) R A S M Dayarathna
Director Payments and Settlements

Payment and Settlement Systems Circular No. 02 of 2015

06 August 2015

To : The Chief Executive Officers of Licensed Banks and Licensed Finance Companies

MAXIMUM LIMIT ON TRANSACTION FEES OF SRI LANKA INTERBANK PAYMENT SYSTEM

This Circular is issued in terms of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005 to rationalize customer fees levied on transactions effected through the Sri Lanka Interbank Payment System (SLIPS) in order to promote electronic payments by providing cost effective banking and payment facilities to the general public.

2. The maximum fee that can be charged from a customer for effecting a fund transfer through SLIPS shall not exceed Rs. 50 per transaction.
3. This Circular shall come into operation with effect from 01 September 2015.

(Mrs) R A S M Dayarathna
Director Payments and Settlements

Payment and Settlement Systems Circular No. 03 of 2015

07 August 2015

To : The Chief Executive Officers of Participating Institutions of LankaSettle System

OPERATOR CHARGES AND MAXIMUM LIMIT ON TRANSACTION FEES OF LANKASETTLE SYSTEM

This Circular is issued in terms of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005, to rationalize fees and charges levied on transactions effected through the LankaSettle System in order to promote electronic payments by providing cost effective banking and payment facilities to the general public.

2. The maximum fee charged by Participating Institutions (PIs) from customers for effecting fund transfers through LankaSettle System shall not exceed Rs. 1,000 per transaction.

3. The operator charge levied by the Central Bank of Sri Lanka on Pls, which is Rs. 600 at present is reduced to Rs. 450 and the Rule 7 of Volume 4 of the LankaSettle System Rules – Version 2.1 and Clause 4 of the Mandate Agreement are amended accordingly as per Schedule hereto.
4. This Circular shall come into operation with effect from 01 September 2015 replacing the Circular No. RTGS/07/2012 dated 26 April 2012.

(Mrs) R A S M Dayarathna
Director Payments and Settlements

SECCHEDULE OF THE LANKASETTLE SYSTEM FEES AND CHARGES

The Central Bank of Sri Lanka charges all LankaSettle Participants an all-inclusive per transaction fee of LKR 450/= with effect from 1st September 2015.

For the purposes of fees and charges a “transaction” is defined as:

- (1) Any settled debits to their own Settlement Accounts initiated by Participants within the LankaSettle System through the use of the following messages:
 - a. MT 102 - Multiple Customer Credit Transfer
 - b. MT 103 - Single Customer Credit Transfer
 - c. MT 202 - General Financial Institution Transfer
 - d. MT 205 - Financial Institution Transfer Execution
 - e. MT 541 - Receive Against Payment
- (2) Any settled securities transactions initiated by Participants within the LankaSettle System through the use of MT 540 - Receive Free message.

In addition to the transaction fees stated above, the Participants have to bear SWIFT messaging related charges. These are independently billed by SWIFT and have to be paid by the Participants to SWIFT directly.

11 August 2015

Payment and Settlement Systems Circular No. 04 of 2015

To: All Participants of the LankaSettle System

RESTRICTION OF BUSINESS HOURS OF LANKASETTLE SYSTEM ON AUGUST 17, 2015

The Central Bank of Sri Lanka, having considered the restricted business hours of participating institutions of LankaSettle System on August 17, 2015, due to the Parliamentary Elections, has decided to restrict business hours of the LankaSettle System on August 17, 2015 from 8.00 a.m. to 3.00 p.m. Accordingly, the events after 12.00 noon of the Operating Schedule of LankaSettle System for August 17, 2015 will be revised as follows:-

Event	Normal Time	Revised Time
OMO-Repo (Auction) settlement	1.00 p.m.	12.45 p.m.
MLNS - Settlement Clearing and Adjustment Clearing	2.45 p.m.	2.00 p.m.
Cut-off time for third party payments	3.00 p.m.	2.15 p.m.
MLNS - SLIPS (Cycle 2)	3.00 p.m.	2.15 p.m.
CAS (Cycle 2)	3.00 p.m.	2.30 p.m.
SDF settlement	4.00 p.m.	2.30 p.m.
ILF Reversal and SLF settlement	4.15 p.m.	2.45 p.m.
Close for business	4.30 p.m.	3.00 p.m.
EOD Processing	4.30 p.m.-5.00 p.m.	3.00 p.m.-3.30 p.m.
System shut down	5.00 p.m.	3.30 p.m.

(Mrs) R A S M Dayarathna
Director Payments and Settlements

(Mrs) C M D N K Seneviratne
Superintendent Public Debt

14 August 2015

Payment and Settlement Systems Circular No. 05 of 2015

To: All Participants of LankaSettle System

AMENDMENT TO DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

1. The LankaPay Common Electronic Fund Transfer Switch (CEFTS) of LankaClear (Pvt.) Ltd. will go live from 20 August 2015. The fund settlement of CEFTS will be implemented in two clearing cycles as follows:
 - (a) Clearing Cycle 1: RTGS settlement at 9:00 a.m.(T+1)
 - (b) Clearing Cycle 2: RTGS settlement at 3:15 p.m.(T+0)
 - Every CEFTS members shall adhere to the General Direction No. 02 of 2014 on Operations of the Common Electronic Fund Transfer Switch, issued on 01 September 2014.
 - The participants should also note that the maximum value per CEFTS transaction is set at Rs. 5 million (Rupees five million) and credit transactions could only be routed at this stage.
 - The Operational Guidelines on the CEFTS application could be obtained from LankaClear (Pvt.) Ltd.
2. Accordingly, you are hereby informed that the table in the Clause 1.2 of Volume 4 of LankaSettle System Rules Version 2.1 – August 2013 on Daily Operating Schedule **will be amended as follows with effect from 20 August 2015.**

TIME	EVENT	ACTIVITIES /TRANSACTIONS
6.30 a.m.	System start-up	Start-up of RTGS/SSS applications
7.30 a.m. to 8.00 a.m.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF
8.00 a.m.	LankaSettle System opens for business	System opens for effecting transactions
8.00 a.m.	ILF/auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
8.15 a.m.	Maturities/interest payments, start of the day (SOD) file	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties
8.30 a.m.	Multilateral Net Settlement Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS
8.30 a.m.	Outright sales/purchases	Settle OMO outright sales and purchases
8.45 a.m.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
9.00 a.m.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
11.00 a.m.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF
11.45 a.m.	Reverse Repos (Auction)	Settlement of first leg of Reverse Repos under OMO
12.45 p.m.	Repos (Auction)	Settlement of first leg of Repos under OMO
1.00 p.m.	Closure of Primary Auction Settlement	Settlement of securities under Primary Auction
2.45 p.m.	Multilateral Net Settlement Batch from LankaClear	Settlement Clearing and Adjustment Clearing
3.00 p.m.	Multilateral Net Settlement Batch from LankaClear Primary cut-off time for third party transactions	SLIPS Cycle 2 CAS Cycle 2 Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series)
3.15 p.m.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
3.45 p.m.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 3.45 p.m.
4.00 p.m.	SDF	Settlement of first leg of SDF

4.15 p.m.	SLF	Settlement of first leg of SLF
4.15 p.m.	ILF Repayment	Repayment of ILF
4.30 p.m.	Final Cut-off Time Close 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
4.30 p.m. to 5.00 p.m.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes
5.00 p.m.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups

3. Participants are advised to monitor their settlement accounts through browser workstations and ensure to keep sufficient funds in their settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

(Mrs) R A S M Dayarathna
Director Payments and Settlements

29 September 2015

Payment and Settlement Systems Circular No. 06 of 2015

To : All Participants of LankaSettle System

CHANGE OF NAME OF DFCC VARDHANA BANK PLC IN LANKASETTLE SYSTEM

This is to inform that the Monetary Board of the Central Bank of Sri Lanka has granted provisional approval for DFCC Vardhana Bank PLC (DVB) to merge with DFCC Bank PLC with effect from 01 October 2015 and the new entity will be named as DFCC Bank PLC thereafter.

The static data of LankaSettle System will be amended as indicated below with effect from 01 October 2015 to incorporate the changes mentioned above.

- (i) Change of the name of the participating institution of DVB to DFCC Bank PLC; and
- (ii) Change of the settlement account name of DVB to DFCC Bank PLC;

Please be informed that the Bank Identification Codes (BIC) of SWIFT system that is being used by DVB will be used by DFCC Bank PLC w.e.f. 01 October 2015.

This Circular will be in effect from 01 October 2015.

(Mrs) R A S M Dayarathna
Director Payments and Settlements

Operating Instructions: PSD/ACU/01/2015

27 November 2015

To: All Licensed Commercial Banks

PROCEDURE FOR CHANNELING TRANSACTIONS THROUGH ASIAN CLEARING UNION MECHANISM

1. All Licensed Commercial Banks in Sri Lanka (LCBs) are informed that the Operating Instructions No. PSD/ACU/01/2013 dated 25 September 2013 is hereby rescinded and these Operating Instructions No. **PSD/ACU/01/2015** will govern all transactions under the Asian Clearing Union (ACU) mechanism with effect from 01 December 2015.
2. As specified in the ACU Procedure Rules, when effecting transactions through ACU mechanism (Transactions), LCBs shall adhere to Exchange Control Act, No. 24 of 1953, Convention on Suppression of Terrorist Financing Act, No. 25 of 2005, Prevention of Money Laundering Act, No. 5 of 2006, Financial Transactions Reporting Act, No. 6 of 2006 and any other relevant Acts, Regulations, Directions, Guidelines, Circulars, Rules and Operating Instructions issued by the Central Bank of Sri Lanka (CBSL) or other Regulatory Bodies from time to time.
3. Opening and Maintaining of Nostro Accounts

- 3.1 As per the Exchange Control Regulations, LCBs are authorized to open and maintain Nostro Accounts denominated in US Dollar and /or Euro with commercial banks in other ACU member countries (Correspondent Banks), and permitted the use of said Nostro Accounts for settling the payments of both import and export transactions among ACU member countries.
- 3.2 All Transactions on eligible fund transfers (payments arising on account of trade and trade related Transactions) and surrendering of surplus funds shall be routed through ACU Nostro Accounts depending on the transacted currency (i.e. US Dollar or Euro).
- 3.3 LCBs shall inform the Director/Payments and Settlements of the CBSL in writing Account Number, BIC Code and Name of the Correspondent Bank, when they open a new Nostro Account or close an existing Nostro Account in Correspondent Banks.
- 3.4 LCBs shall inform the Director/Payments and Settlements of the CBSL in writing any other changes of their Nostro Accounts held in Correspondent Banks in New York, USA and /or Frankfurt, Germany with immediate effect.
- 3.5 LCBs shall operate such Nostro Accounts for the sole purpose of effecting eligible Transactions with other ACU member countries only.
- 3.6 ACU Nostro Transactions are originated by LCBs and therefore, LCBs shall solely be responsible for their own Transactions routed through the ACU mechanism.
- 3.7 LCBs are solely responsible for the maintenance of necessary documentary evidence for the Transactions routed through these Nostro Accounts.
- 3.8 Payments and Settlements Department of the CBSL shall only facilitate the settlement of Transactions.
4. Funding and Remitting Surplus Funds in Nostro Accounts
 - 4.1 All payment instruments shall be denominated either in US Dollar or Euro.
 - 4.2 When LCBs desire to fund their ACU Dollar or ACU Euro accounts held with Correspondent Banks, such amounts in US Dollar or Euro shall be made available to CBSL on the relevant value dates.
 - 4.3 LCBs who are intending to repatriate surplus funds in their ACU Dollar or ACU Euro accounts held with Correspondent Banks shall advise such Correspondent Banks to effect such fund transfers through their respective Central Banks or Monetary Authorities.
 - 4.4 On the receipt of advices from the relevant Central Banks or Monetary Authorities, CBSL shall make funds available to the recipient LCBs in US Dollars or Euros as per the settlement instructions given by the respective Central Banks or Monetary Authorities.
 - 4.5 Value date shall be the TOM value date or the SPOT value date.
 - 4.6 ACU Nostro funding will not be effected on holidays in Federal Reserve Bank, New York, Deutsche Bundesbank, Frankfurt, member countries and Sri Lanka.
 - 4.7 Minimum amount of Nostro funding that can be routed through member Central Banks or Monetary Authorities shall be ACU Dollar or ACU Euro 500.
 - 4.8 LCBs shall execute single ACU Nostro transaction when the Correspondent Bank, Account Number and value date are entirely the same.
5. Funding and Remitting Surplus Funds in Nostro Accounts held with LCBs by Correspondent Banks (Vostro Accounts)
 - 5.1 When advices are received from Central Banks or Monetary Authorities of other ACU member countries to credit funds to the Nostro Accounts of Correspondent Banks held with LCBs, CBSL will make available such funds in US Dollars or Euros, as per the request, on value dates under advice to the recipient LCBs.
 - 5.2 When LCBs are requested by their Correspondent Banks to remit surplus funds in their ACU Dollar or ACU Euro accounts maintained in Sri Lanka, the concerned LCBs should make available relevant US Dollar/Euro amounts to CBSL on respective value dates, in order to effect the fund transfers through the respective member Central Bank or Monetary Authority.
 - 5.3 When remitting surplus funds, LCBs shall ensure that such funds are only the surplus funds received for Transactions from the same Correspondent Bank.
6. Requests for Funding of Nostro Accounts and Repatriation of Surplus Funds in Vostro Accounts
 - 6.1 Requests by LCBs for funding their Nostro Accounts held with Correspondent Banks and repatriation of surplus funds held by Correspondent Banks with LCBs shall be made available to CBSL using the communication media such as SWIFT or Fax only (Fax may be used only if the SWIFT system is not available).

- 6.2 Details of fund transfers should be informed to the ACU Division of the Payments and Settlements Department of CBSL via **E-mail** (acupsd@cbsl.lk) or telephone (only if the E-mail facility is not available) before **14.00 hours**.
- 6.3 The written communication should be sent through SWIFT system (using MT 199 or MT 299 Free Format Message) or Fax immediately after the E-mail confirmation enabling the same to reach the ACU Division of the Payments and Settlements Department of CBSL on or before **14.30 hours** on the same working day in attached formats "A1 or A2" / "B1 or B2", as appropriate.
- 6.4 LCBs shall send their E-mail and SWIFT confirmations on their Nostro funding before the cut-off time and if any confirmation with respect to Transactions received after the cut-off time, the said Transactions will be executed on the next value date.

Contact Officer	Designation	Contact Telephone No.	Fax No.
Ms. K A T N Senaratna	Snr. Asst. Director	2477053	2422819
Ms. C Chandrawansa	Asst. Director	2477057	2346280

E-mail: acupsd@cbsl.lk

7. Fund Transfers to Accounts of the Central Bank of Sri Lanka

- 7.1 All credits to accounts of CBSL relating to the settlements under ACU mechanism should be made to the following accounts on the respective value dates.

Currency	Bank	A/c No
US Dollar	Federal Reserve Bank, New York	021083527
Euro	Deutsche Bundesbank, Frankfurt	5040040828

- 7.2 In the case of delayed/default payments, LCBs are subject to delayed/default charge and the relevant amount to be paid for the period of delay/default will be calculated by CBSL at the overnight Repo interest rates offered by Federal Reserve Bank, New York or Deutsche Bundesbank, Frankfurt as applicable.

8. Interest on ACU Dollar and ACU Euro Accounts

LCBs may pay interest at their discretion on ACU Dollar and ACU Euro accounts maintained by the Correspondent Banks as per mutually agreed terms and conditions.

(Mrs) R A S M Dayarathna
Director Payments and Settlements

Form "A1"

Funding of Nostro Accounts

Director
 Payments and Settlements Department
 Central Bank of Sri Lanka
 Colombo 01

Dear Sir/Madam

ASIAN CLEARING UNION

We _____ <name of the bank> _____ hereby undertake to deliver

USD amount <amount in words>

for credit of account No. 021083527 of Central Bank of Sri Lanka with Federal Reserve Bank of New York, **through our USD correspondent** <name of the USD Nostro Bank in USA and the BIC>, on the value <date> .

Please arrange to credit this amount to our account No. _____

with <name of the correspondent bank and the BIC>

through <name of participant Central Bank and office>

Yours faithfully

.....(A)

.....(B)

Authorised Officer

Form "A2"

Funding of Nostro Accounts

Director
 Payments and Settlements Department
 Central Bank of Sri Lanka
 Colombo 01

Dear Sir/Madam

ASIAN CLEARING UNION

We _____ <name of the bank> hereby undertake to deliver

EUR amount <amount in words>

for credit of account No. 5040040828 of Central Bank of Sri Lanka with Deutsche Bundesbank Frankfurt,
through our EUR correspondent <name of EUR Nostro Bank in the European Region and the BIC>,
 on the value <date> .

Please arrange to credit this amount to
 our account No. _____
 with <name of the correspondent bank and the BIC>
 through <name of participant Central Bank and office>

Yours faithfully

.....(A)
(B)

Authorised Officer

Form "B1"

Surrender of surplus funds in Vostro Accounts of commercial banks of other ACU member countries

Director
 Payments and Settlements Department
 Central Bank of Sri Lanka
 Colombo 01

Dear Sir/Madam

ASIAN CLEARING UNION

Please arrange to pay US\$ amount <amount in words>
 to <name of participant Central Bank > through the Asian Clearing Union for
 account of <name of Commercial Bank in the participating country and the BIC>
 on <value date> being surplus funds in the ACU dollar Account held with us by the above named bank.

We undertake to deliver US\$ amount <amount in words> to
 your account No. 021083527 SRILAG with Federal Reserve Bank of New York,
 through our USD correspondent <name of the USD Nostro Bank in USA and the BIC> ,
 on the value date stated above.

Yours faithfully

.....(A)
(B)

Authorised Officer

Form "B2"

Surrender of surplus funds in Vostro Accounts of commercial banks of other ACU member countries

Director
 Payments and Settlements Department
 Central Bank of Sri Lanka
 Colombo 01.

Dear Sir/Madam,

ASIAN CLEARING UNION

Please arrange to pay Euro amount <amount in words>
to <name of participant Central Bank> through the Asian Clearing Union for
account of <name Commercial Bank in the participating country and the BIC>
on <value date> being surplus funds in the ACU Euro Account held with us by the above named bank.

We undertake to deliver Euro amount <amount in words>
to your account No. 5040040828 with Deutsche Bundesbank Frankfurt,
through our EUR correspondent <name of EUR Nostro Bank in the European Region and the BIC> ,
on the value date stated above.

Yours faithfully

.....(A)

.....(B)

Authorised Officer

Payment and Settlement Systems Circular No. 07 of 2015

30 November 2015

To : The Chief Executive Officers of Licensed Banks

TIMELINES FOR JOINING COMMON CARD AND PAYMENT SWITCH - LANKAPAY

This Circular is issued in terms of the Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005 (Act) read with Section 4 of the Act to promote the national payment system of the country in order to provide safe, efficient and cost effective payment services to the public.

2. Licensed Banks shall join their individual switches with Common Card and Payment Switch (CCAPS) and commence relevant services by adhering to the following timelines.
 - 2.1 Licensed Banks which function as Issuers and/or Acquirers of payment cards for ATM transactions and operate own ATM Switch shall join Common ATM Switch (CAS) by 31 March 2016.
 - 2.2 All Licensed Banks shall join the Common Electronic Fund Transfer Switch (CEFTS) by 30 September 2016.
 - 2.3 Licensed Banks which function as Issuers and/or Acquirers of payment cards for Point of Sale (POS) transactions shall join the Common POS Switch by 31 December 2016.
 - 2.4 Licensed Banks which offer mobile payment services shall join the Common Mobile Switch by 30 September 2017.

(Mrs) R A S M Dayarathna

Director Payments and Settlements

OPERATING INSTRUCTIONS No. RDD/CGSPA/14/1 (A-03)

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo 01.
29 June 2015

To : All PFIs

Dear Sir/Madam

AMENDMENT TO THE OPERATING INSTRUCTIONS NO. RDD/CGSPA/14/1 OF THE CREDIT GUARANTEE SCHEME FOR PAWNING ADVANCES

This is to inform you that the following amendment has been made to the above Operating Instructions of Credit Guarantee Scheme for Pawning Advances (CGSPA).

- The operations of CGSPA have been extended up to 31 December 2015.

Accordingly, the Section 4.3 is amended as follows.

4.3 Pawning advances granted by PFIs from the date of these instructions until 31 December 2015, or such other date as may be extended by the Monetary Board, will be eligible to benefit by this Credit Guarantee Scheme, provided the following terms and conditions are fulfilled:

- (a) LTV ratio shall be 15% above the current level of a particular PFI and shall not exceed 80%. The total exposure is calculated as follows:

Example:

Computation of Liability					
Description	Market value of the underlying article at the time of pawning Rs.	Pawning advance Rs.	Interest at 12% p.a. Rs.	PFIs' total exposure after 12 months of pawning Rs.	PFIs' total exposure after 15 months of pawning Rs.
LTV ratio of 80%	100.00	80.00	9.60	89.60	92.00

- (b) Interest rate charged on the pawning advance shall not exceed 12% per annum which includes all fees and charges;
- (c) A credit guarantee premium of 1% on the pawning advances shall be paid by the PFI to be eligible for this scheme;
- (d) Maximum loan limit is set at Rs. 500,000 per person;”

- All other terms and conditions of the Credit Guarantee Scheme for Pawning Advances remain unchanged.

Director
Regional Development Department

OPERATING INSTRUCTIONS No. RDD/SPEndP/2009/06

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo 01.
02 July 2015

To : All PFIs

Dear Sir / Madam

AMENDMENTS TO THE OPERATING INSTRUCTIONS No. RDD/SPEndP/2009/06 OF THE SMALLHOLDER PLANTATION ENTREPRENEURSHIP DEVELOPMENT PROGRAMME (SPEndP) - (LOAN NO. 712 LK)

This is to inform you that the Sections 2.1 and 2.12 of the Operating Instructions No. RDD/SPEndP/2009/06 dated 20 October 2009 of the above loan scheme have been amended as stated below, with effect from 29 May 2015.

2. Credit Scheme

2.1 Introduction

A portion of programme resources amounting SDR 2.6 million will be allocated under “Rural Financing & Credit” component. This will supplement grants, inputs and other assistance provided by the programme in the form of credit on concessionary terms for identified investments by the beneficiaries.

2.12 Interest Rate

- (a) On-lending interest rate per annum is seven (7) percentage points.
- (b) Interest rate per annum for refinance from CBSL is three (3) percentage points.

All other terms and conditions of the Smallholder Plantation Entrepreneurship Development Programme (SPEndP) remain unchanged.

Director
Regional Development Department

6 July 2015

To : All PFIs

Dear Sir/ Madam

IMPLEMENTATION OF WAREHOUSE RECEIPTS FINANCING UNDER NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS) TO PROVIDE SHORT TERM CREDIT TO SMALL FARMER PRODUCERS

1. Introduction

The Government of Sri Lanka (GOSL) wishes to facilitate warehouse receipts financing system that would enable small farmers to obtain short term credit from registered financial institutions against the warehouse receipts issued by the government owned warehouses on the strength of stored commodities by such farmers. For this purpose, a programme has been implemented by the Ministry of Finance (MOF) with the assistance of the World Bank, to construct three warehouses in the major agricultural districts in the country. The purpose of this initiative was to enhance the income of small farmer producers by providing them with quality storage facilities to store their produce during harvesting times till the subsequent price increases in the market. The farmers have option to sell their produce gradually after harvest and the system facilitate the use of such produce as collateral to access financial facilities from registered financial institutions by pledging warehouse receipt to the bank as a collateral.

2. Warehouse facilities

Under the above programme, three warehouses are earmarked to construct in the districts of Anuradhapura, Mannar and Moneragala. Out of the three, the construction of Anuradhapura warehouse has been completed in March and the other two will be completed by end of July 2015. The Anuradhapura warehouse is located at Upuldeniya in Galenbindunuwewa Divisional Secretariat area in the District of Anuradhapura. Since the total capacity of the warehouse at Upuldeniya is 5000 MT, it will facilitate approximately 2500 small farmers in the Divisional Secretariat areas of Galenbindunuwewa, Mihintale, Kahatagasdigiliya, Tirappane, Kekirawa and Palugaswewa in the Anuradhapura District.

3. The operations of the warehouse

The warehouse is a property of GOSL and its maintenance and operations are coming under the purview of District Secretaries in respective districts. Accordingly District Secretaries (DS's) of the respective Districts have been authorised by the Cabinet of Ministers to regulate and supervise the Warehouse operations on regular basis to ensure the smooth functions to the benefit of the stakeholders. Accordingly, DS Anuradhapura has entered into a management service contract with the Regional Development Bank (RDB), the selected service provider, to operate the warehouse as an operator for a period of five years commencing From March 2015. The Secretary to the Treasury (ST) of the MOF is authorised to appoint an Advisory Committee to handle the issues relating to policy matters and sales / removal of stocks on behalf of the depositor / farmers as and when required. The committee will consist of the representatives from the Ministry of Finance, DS of respective district, Agrarian Service Department, Institute of Post-Harvest Technology, Farmer Organisations, Warehouse Management Company and an expert on the subject. The Committee will be chaired by the DS of respective district.

4. The responsibilities of the warehouse operator

In terms of the Management Service Agreement signed between DS Anuradhapura and the Operator, the warehouse manager is responsible for receiving agricultural commodities from farmer depositors, storing them in a safe environment to maintain quality, keep records and report the regulator, issue warehouse receipts and deliver such commodities to buyers for the benefit of the farmer depositors. The following activities are included in the whole range of functions and responsibilities assigned to the warehouse management.

4.1

- Receiving commodities
- Weighing
- Quality testing
- Measuring
- Recording / keeping accounts
- Issuing warehouse receipts
- Registering the Receipts with the DS
- Maintenance of stocks at the desired quality levels
- Reporting stock position to DS on daily basis
- Quality management

- Delivery of commodities
- Preparation of payment schedules
- Payment through financial institutions
- Collection of warehouse charges and cost of bags
- Assisting the financial institutions to recover short term credit granted against the warehouse receipts

All activities indicated above are governed under an operational manual which is a part of the Management Service Agreement signed by the Operator with the DS.

5. Warehouse receipts

5.1 Once the commodities are stored / deposited under the ownership of the farmers, Warehouse Manager issues a Warehouse Receipt to the respective depositors separately. The Receipt is included with the following

- Name of the commodity owner / depositor and the address, contact number and NIC Number
- Name of the crops deposited
- Quantity in kg and number of bags
- Date of deposit

5.2 The depositor and the warehouse manager agree on certain conditions at the beginning of the storage on sales and removal of commodities deposited. Accordingly, the depositor authorises the warehouse manager to transfer the commodities to a selected buyer at the best available price in the market under the supervision of DS and the Advisory Committee if he/she (depositor) unable to find a buyer or remove the commodities within a stipulated period.

5.3 The PFIs are allowed to grant short term credit to the farmers up to 50 percentage of the current market value of the stored commodities under the following terms and conditions.

5.3.1. Maximum storage period

Commodity	Maximum storage period
Paddy (Maha)	270 days
Paddy (Yala)	180 days
Maize	270 days
Black grams	270 days
Soya bean seeds	270 days
Sesame seeds	180 days

5.3.2 The only purpose of keeping crops in the warehouse is to sell them to a selected buyer at a higher price during or at the end of the stipulated period.

5.3.3 The branch managers of PFIs are requested to inform the warehouse manager that the bank has granted short term credit against the warehouse receipts just after granting such loans. Further, branch managers are allowed to visit the warehouse web site and to verify the particular warehouse receipt when it comes to the bank for a loan.

5.3.4 Sales procedure

The selected buyer will be instructed by warehouse manager to deposit sales proceeds in the relevant farmer accounts maintain in the respective financial institution.

5.3.5 In this connection, the warehouse manager prepares the payment schedule indicating the total amount to be deposited in the depositor farmer accounts by taking in to consideration the following.

Sales proceeds at the buying price

Charges for bags (cost of bags should be paid by the buyer)

Warehouse charges (warehouse charges should be paid by the depositors)

5.3.6 The payment schedule will be prepared in duplicate and will send to respective branches of the financial institution.

5.3.7 Once the buyer made the relevant payment to the depositor farmer through a financial institution, the ownership of the commodity stock will transfer to the buyer.

5.3.8 The warehouse manager should transfer ownership of the respective commodity stocks to the relevant buyer only after receiving the duplicate schedule certified by the bank manager of the relevant financial institution along with warehouse receipts.

- 5.3.9 Accordingly, the branch managers of the PFIs are required to confirm that the sales proceeds have been received from the buyer and the respective accounts of depositors have been credited.
- 5.3.10 Further, branch managers of PFIs are requested to certify that warehouse charges and cost of bags also have been deducted and credited to the respective accounts of the warehouse as indicated in the payment schedule.
- 5.3.11 The Branch managers of PFIs are requested to get the consent of the depositor farmers to obtain/ receive sales proceeds to the depositors account through warehouse manager at the instances where the depositor failed to settle dues within the stipulated period.

6. Facilities under NCRCS

- 6.1 The PFIs are requested to grant short term facilities under NCRCS to small farmer producers who deposit their produce in the warehouse and seek short term finance for the cultivation of the short term crops which are eligible under NCRCS and the nurseries of those crops by pledging warehouse receipt to the bank as collateral under the following terms and conditions.
- 6.2 Eligible purpose:
- Cultivation of the short term crops those are eligible under NCRCS and the nurseries of those crops.
- 6.3 Eligible borrowers: Farmers those who have deposited their commodities in warehouse owned by GOSL.
- 6.4 The maximum loan amount: The amount of loan per borrower should be decided on the basis of current market price / value of commodities and requested to grant 50 percentage of the current market value of the stored commodities. The branch manager has discretion to consider granting more than 50 per cent of the value depending on the credibility of the customer.
- 6.5 Rate of Interest and Credit Guarantee: The PFIs are also eligible to claim interest subsidy and credit guarantee in respect of short term credit granted against the warehouse receipts under the same terms and conditions applicable for loans granted under NCRCS.
- 6.6 Repayment period: Maximum of 270 days.
- 6.7 PFIs are allowed to recover the cultivation loan granted under NCRCS from the credit granted against the warehouse receipts.
- 6.8 The PFIs are allowed to get other relevant documents from the depositor farmers prior to granting facilities against the warehouse receipts. However, PFIs should not request the farmer / depositor to submit any other collateral / security for granting such facilities.
- 6.9 All other terms and conditions of the NCRCS will remain unchanged.
- 6.10 The upper and lower limits have been fixed per single farmer in respect of commodity deposits in the warehouse with a view to accommodate more small farmers in the area as follows.

Crop	Maximum	Minimum
Paddy	12,000 kg	500 kg
Maize	12,000 kg	500 kg
Black grams	10,000 kg	500 kg
Soya bean	10,000 kg	500 kg
Sesame	10,000 kg	100 kg

- 6.11 The CBSL reserves the right to make revisions to these instructions as may be required and revisions will be made in consultation with PFIs and the MOF.
- 6.12 These instructions come in to effect from 6 July 2015.

Director
Regional Development Department

- C.c: 1. Secretary/Ministry of Finance
2. Regional Managers/CBSL - Anuradhapura, Jaffna, Matale, Matara, Trincomalee & Kilinochchi

OPERATING INSTRUCTIONS No. RDD/WCLSTF/2015/01

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo 1.
7 August 2015

Tel : 2477447, 2477472

Fax: 2477734

To : General Manager/CEO

Amana Bank PLC

Bank of Ceylon

Commercial Bank of Ceylon PLC

DFCC Bank PLC and DFCC Vardhana Bank

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Pan Asia Banking Corporation PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank

Union Bank of Colombo PLC

WORKING CAPITAL LOAN SCHEME FOR TEA FACTORIES**1. Introduction**

- a) The Government of Sri Lanka, having considered the financial difficulties faced by Registered Tea Factories (RTFs) due to decline in tea prices, has introduced a loan scheme to assist them to meet their Working Capital requirements. Under this scheme, the licensed banks are advised to provide loans to the owners of Registered Tea Factories as approved by the Sri Lanka Tea Board (SLTB) and that meet the conditions laid down in this Operating Instructions to meet their working capital requirements. In order to encourage the banks to provide the loans at a concessionary interest rate, the Government will pay a subsidy of 2 per cent for the loans granted under this scheme.
- b) The owners of Registered Tea Factories who wish to avail themselves the benefits under this scheme are required to submit their applications through SLTB. (SLTB will issue guidelines and specimen of an application for this purpose)

2. Implementation Mechanism

The duties and the responsibilities of the parties involved in this programme shall be as follows.

Name of the Institution	Function
Sri Lanka Tea Board	<ul style="list-style-type: none"> • Issues Directions and Guidelines setting criteria for identifying eligible borrowers. • Receives applications from RTFs, evaluate and sends to relevant banks with their recommendation. • Sends the Central Bank the names of the RTFs that are recommended to apply for loans as per Annex I of this Operating Instructions. • Notify the PFIs and the CBSL any changes of the ownership of RTF, any sanctions imposed due to violation of the conditions/regulations of SLTB and any changes made to the loan scheme as and when necessary.
Participating Financial Institutions (PFIs)	<ul style="list-style-type: none"> • Grant loans as per terms and conditions stated in this Operating Instructions and the directions of SLTB. • Submit claims through the Head Office for interest subsidy on or before 15th day of the month following at end of each quarter as per Annex II of this Operating Instructions.
Regional Development Department on behalf of the Government of Sri Lanka	<ul style="list-style-type: none"> • Issues Operating Instructions and amendments as and when necessary. • Register the names of RTFs/applicants recommended by SLTB. • Submit claims to the Ministry of Finance after 15th day of the month following at end of each quarter. • Pay interest subsidy received from MOF to relevant PFIs. • Follow up the performance of the subsidy scheme through Regional Offices of the Central Bank and report to MOF as and when necessary.

3. Project Duration

Commencement : 15 August 2015

Termination : 14 August 2017 unless terminated or withdrawn before 14 August 2017 or extended by the GOSL

4. Quantum of interest subsidy

Rs. 258 million for each year

5. Participating Financial Institutions (PFIs)

Amana Bank PLC

Bank of Ceylon

Commercial Bank of Ceylon PLC

DFCC Bank PLC

DFCC Vardhana Bank PLC

Hatton National Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Pan Asia Banking Corporation PLC

People's Bank

Sampath Bank PLC

Seylan Bank PLC

Standard Chartered Bank

Union Bank of Colombo PLC

6. Quantum of the working capital Loan and repayment period

6.1. One month working capital requirement based on the weighted average turnover of the relevant RTF for the first quarter of 2015.

6.2. Repayment within five (5) years period

7. Security

Securities pledged for existing facilities can be extended for the proposed working capital loan.

8. Rate of Interest for the Working Capital Loan

6.00 per cent per annum from the customers. The Government will provide additional 2 per cent for the PFIs.

Director**Regional Development Department**

c.c. Secretary to the Treasury

Ministry of Finance

The Secretariat

Colombo 1.

Annex I (to be filled by SLTB and sent to CBSL)**WORKING CAPITAL LOAN SCHEME FOR TEA FACTORIES
APPLICATION FOR LOAN REGISTRATION**

- 1) Name of the Tea Factory :
- 2) Registered Number of the Tea Factory :
- 3) Address of the Tea Factory :
- 4) Telephone Nos. / Fax Nos. :
- 5) Status of Applicant/s : Director/s Owner/Partner
 Company

6) Name and Address of Applicant/Partner/Director:

Name of Applicant/Partner/Director	Address	NIC Number/ Business Registration No.
(i)		
(ii)		

7) Bank and the Branch from which the proposed facility is applied:

Bank :

Branch :

8) Details of the loan recommended:

Amount : Rs

Repayment Period :

9) Any other information (Conditions etc. if any.)

.....

.....

Date

.....

Signature of Authorized Officer

Annex II (Claim form for interest subsidy to be submitted by the PFI)

WORKING CAPITAL LOAN SCHEME FOR TEA FACTORIES**Interest Subsidy Claim for Quarter ended**

Director

Regional Development Department

Central Bank of Sri Lanka

Janadhipathi Mawatha

Colombo 01

Name of the Bank:

Name of the Tea Factory	Loan Registration number	Borrowers' Name/s	Name of the Branch	Amount of loan granted (Rs)	Amount outstanding at the beginning of the quarter (Rs)	Rate of Interest	Amount of Subsidy claimed (Rs)

I certify that the information provided in this form is true and correct.

.....

Signature of the Authorized Officer

(with the rubber stamp)

Date:

OPERATING INSTRUCTIONS No. RDD/WCLSTF/2015/01(A-01)

Regional Development Department

Central Bank of Sri Lanka

No.30, Janadhipathi Mawatha

Colombo 1.

3 September 2015

Tel : 2477447, 2477472

Fax : 2477734

To : General Manager/CEO

Bank of Ceylon

Peoples Bank

Seylan Bank PLC

Sampath Bank PLC

Commercial Bank PLC

Hatton National Bank PLC
 National Development Bank PLC
 DFCC Bank PLC and DFCC Vardhana Bank
 Nations Trust Bank PLC
 Union Bank PLC
 Pan Asia Banking Corporation PLC
 Amana Bank PLC
 Standard Chartered Bank

**WORKING CAPITAL LOAN SCHEME FOR TEA FACTORIES
 AMENDMENT TO THE OPERATING INSTRUCTIONS**

This is to inform you that section 8 of the Operating Instructions No. RDD/WCLSTF/2015/01 dated 7 August 2015 is amended as follows.

"8. Rate of Interest for the Working Capital Loan

6.00 per cent per annum from the customers. The Government of Sri Lanka will provide interest subsidy of 2 per cent to Participating Financial Institutions (PFIs) only for two years period through the Regional Development Department of the Central Bank of Sri Lanka. Thereafter, the total interest would be recovered from the tea factory owners."

**Director
 Regional Development Department**

OPERATING INSTRUCTIONS No. RDD/WCLSTF/2015/01(A-02)

Regional Development Department
 Central Bank of Sri Lanka
 No.30, Janadhipathi Mawatha
 Colombo 1.
 12 October 2015

Tel : 2477447, 2477472

Fax : 2477734

To: General Manager/CEO

Bank of Ceylon
 Peoples Bank
 Seylan Bank PLC
 Sampath Bank PLC
 Commercial Bank PLC
 Hatton National Bank PLC
 National Development Bank PLC
 DFCC Bank PLC and DFCC Vardhana Bank
 Nations Trust Bank PLC
 Union Bank PLC
 Pan Asia Banking Corporation PLC
 Amana Bank PLC
 Standard Chartered Bank

**WORKING CAPITAL LOAN SCHEME FOR TEA FACTORIES
 AMENDMENT TO THE OPERATING INSTRUCTIONS**

This is to inform you that section 8 of the Operating Instructions No. RDD/WCLSTF/2015/01 dated 7 August 2015 is amended as follows.

"8. Rate of Interest for the Working Capital Loan

The rate of interest to be determined by the bank based on the customer bank relationship. The Government will provide interest subsidy of 2 per cent (2%) to PFIs only for two years period through the Regional Development Department of the Central Bank of Sri Lanka. Thereafter the total interest would be recovered from the tea factory owners."

**Director
 Regional Development Department**

09-11-2015

General Manager/CEO
BCC/PB/RDB/SANASA/HNB

Dear Sir

**POVERTY ALLEVIATION MICROFINANCE PROJECT II (PAMP II)
POVERTY ALLEVIATION MICROFINANCE PROJECT II – REVOLVING FUND (PAMP II – RF)**

We refer to Para 2.8 “Interest Rates” of the PAMP II Operating Instructions No.RDD/PAMP-II/2009/1 dated 26-11-2009 and Para 12 of the PAMP II – RF Operating Instructions No.RDD/PAMP II–RF/2013/2 dated 10-05-2013, and the decisions No. 9 of the Steering Committee Meeting No. 13 held on 31-03-2015 and No. 1.4 of the Steering Committee Meeting No.14 held on 21-07-2015 respectively to consider reduction of interest rate from 12 % per annum to 10% per annum.

Accordingly, PFIs informed the Steering Committee Meeting No.14 held on 21-07-2015, that the interest rate charged for sub loans granted by PFIs under PAMP II and PAMP II – RF has been reduced from 12 % per annum to 10 % per annum.

Therefore, you are kindly requested to inform this reduction of interest to all branches implementing PAMP II and PAMP II – RF.

**Director
Regional Development**

Operating Instructions No . RDD/PR/2010/03(A-04)

Regional Development Department
Central Bank of Sri Lanka
No.30, Janadhipathi Mawatha
Colombo 1
11 December 2015

Tel : 2477447/2477437/2477472/2477448

Fax : 2477733/2477734

To : All PFIs

Dear Sir/Madam

AMENDMENTS TO THE OPERATING INSTRUCTIONS OF THE PROSPERITY LOAN SCHEME (SAUBAGYA)

The sections & sub-sections of 3.2, 3.8, 4 and 7 of the Operating Instructions No. RDD/PR/2010/03 dated 22 March 2010, which were subsequently amended by the Operating Instructions No. RDD/PR/2010/03 (Amendment) dated 01 April 2011, and RDD/PR/2010/03/ (A02) (Amendment) dated 21 January 2013 of the Saubagya Loan Scheme are further amended as follows:

These amendments will be effective from 15 December 2015.

- **Section 3, Sub Section 3.2 Loan Limits of the Operating Instructions No. RDD/PR/2010/03(A02) dated 21.01.2013 is amended as follows.**

3.2 Loan Limit : Loans granted to the Small and Medium scale Enterprises (SMEs), for exceptional cases, are eligible to receive refinance from the CBSL up to a maximum of Rs. 25 mn per sub-project. The Branch manager, who recommends sub-loan amount over Rs. 1 mn for a sub-project should forward a project appraisal report along with the application for registration.

- **Section 3, Sub Section 3.8 Grace Period of the Operating Instructions No. RDD/PR/2010/03 dated 22.03.2010 is amended as follows.**

3.8 Grace Period : Maximum of 6 months commencing from the date of disbursement of the first installment, subject to the nature of the sub-project. The grace period is extended up to a maximum of 12 months for the loans granted under the Scheme for cultivation of the perennial crops, such as passion fruits, subject to the nature of the project.

- **Section 4, Eligible sub projects and Section 7, Registration of sub-borrowers of the Operating Instructions No. RDD/PR/2010/03 (Amendment) dated 01.04.2011 are amended as follows.**

4. Eligible sub projects : Only the following enterprises are eligible for refinance claims under the Saubagya Loan Scheme.

- i. Small and Medium scale Enterprises (SMEs) with the total assets value below Rs.40 mn, excluding land and buildings and those with employees less than 100 persons.

7. Registration of sub-borrowers

- 7.1 The branch manager should complete the registration application as given in Amended Annex I and send to CBSL through respective PFI Head Office for registration.

Head Offices of all PFIs are requested to forward duly certified copies of loan registration applications and credit appraisal reports, in respect of sub-projects over Rs 1 mn.

All other terms and conditions of the Operating Instructions of the Saubagya Loan Scheme issued earlier will remain unchanged.

Please bring the contents of this amendment circular to the notice of the relevant officers.

Director
Regional Development Department

Ref: 32/08/003/0014/001

30 December 2015

To: All PFIs

Dear Sir/Madam

**TERMINATION OF THE OPERATION OF THE CREDIT GUARANTEE SCHEME FOR
PAWNING ADVANCES (CGSPA)**

This is to inform you that the operation of the "Credit Guarantee Scheme for Pawning Advances" (CGSPA) implemented by the Regional Development Department of the Central Bank on behalf of the Government, will be concluded after its date of expiration on 31 December 2015.

You are kindly requested to bring the content of this letter to the relevant branches of your bank.

Director
Regional Development Department

Cc: Regional Manager, North Central Province, CBSL
Regional Manager, Central Province, CBSL
Regional Manager, Sothern Province, CBSL
Regional Manager, Northern Province, CBSL
Regional Manager, Kilinochchi, CBSL
Regional Manager, Trincomalee, CBSL

FINANCE BUSINESS ACT, NO. 42 OF 2011

The Rule made by the Monetary Board of the Central Bank of Sri Lanka under section 16 of the Finance Business Act, No. 42 of 2011.

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

Colombo
23 June 2015

**FINANCE COMPANIES (ANNUAL LICENCE FEES)
RULE NO. 1 OF 2015**

- | | |
|--------------------------------|---|
| Citation | 1. This Rule may be cited as the Finance Companies (Annual Licence Fees) Rule No.1 of 2015 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011. |
| Licence fee for the first year | 2. The licence fee payable by a finance company in the year of licensing shall be Rs. 2,000,000/- from the date of this Rule and shall be paid to the Central Bank of Sri Lanka on or before the date of licensing. |

- Annual licence fee 3. Every finance company shall pay an annual licence fee applicable for the year 2016 and every subsequent year to the Central Bank of Sri Lanka on or before 31st January of the respective year, as set out below, based on the total assets of the company;

Total assets as at end of the previous calendar year	Annual Licence Fee (Rs.)
Rs.5 billion or below	1,000,000/-
Above Rs. 5 billion up to Rs. 10 billion	1,500,000/-
Above Rs.10 billion up to Rs.20 billion	2,000,000/-
Over Rs.20 billion	3,000,000/-

- Sanctions 4. The Director shall impose a penalty of Rs.500,000/- for any delay in receiving the licence fee. Such penalty imposed shall be disclosed in the audited annual financial statements of the finance company under a separate note titled "Penalties imposed by the Central Bank".
Cancellation of licence as per section 37(1)(f) of the Finance Business Act, No. 42 of 2011 will be initiated if a finance company fails to make payment by 28th February of the respective year.
- Revocation 5. The Finance Companies (Annual Licence Fees) Rule No.1 of 2013 is hereby revoked.

No. 01 of 2015

14 September 2015

LOAN TO VALUE RATIO FOR LOANS AND ADVANCES IN RESPECT OF MOTOR VEHICLES

Issued under section 12 of the Finance Business Act, No. 42 of 2011.

The Monetary Board issues Directions as follows for the implementation of a loan to value (LTV) ratio in respect of loans and advances granted by Licensed Finance Companies (LFCs) for the purpose of purchase or utilization of motor vehicles.

1. Empowerment under the Finance Business Act 1.1 In terms of section 12 of the Finance Business Act, the Board may give directions to finance companies or to any group or category of finance companies regarding the manner in which any aspect of the business and corporate affairs of such finance companies are to be conducted.
2. Maximum LTV ratio 2.1 Commencing 15th September 2015, LFCs shall not grant loans and advances for the purpose of purchase or utilization of a motor vehicle, in excess of 70 per cent of the value of such vehicle (LTV ratio of 70%).
2.2 An LFC shall not grant loans and advances for purchase or utilization of motor vehicles other than loans and advances granted in accordance with section 2.1 above.
3. Interpretations 3.1 In these Directions,
a. Loans and advances shall include finance leases, hire purchase facilities and other loans and advances granted for the purpose of purchase or utilization of motor vehicles.
b. The value of the motor vehicle shall be the market value obtained from a professional valuer at the time of granting loans and advances as per the prevailing practice.

Arjuna Mahendran
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

No. 02 of 2015

29 October 2015

LOAN TO VALUE RATIO FOR LOANS AND ADVANCES IN RESPECT OF MOTOR VEHICLES

Issued under section 12 of the Finance Business Act, No. 42 of 2011.

The Finance Companies Direction No. 01 of 2015 dated 14 September 2015 on the above subject shall come in to force with effect from 01 December 2015.

Arjuna Mahendran
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka

No. 01 of 2015

14 September 2015

**LOAN TO VALUE RATIO FOR LOANS AND ADVANCES
IN RESPECT OF MOTOR VEHICLES**

Issued under section 34 of the Finance Leasing Act, No. 56 of 2000.

The Director of the Department of Supervision of Non-Bank Financial Institutions (hereinafter referred to as "Director") issues Directions as follows for the implementation of a loan to value (LTV) ratio in respect of loans and advances granted by Specialized Leasing Companies for the purpose of purchase or utilization of motor vehicles.

- | | |
|--|---|
| 1. Empowerment under the Finance Leasing Act | 1.1 In terms of section 34 of the Finance Leasing Act, No. 56 of 2000, the Director is empowered to issue general Directions to registered finance leasing establishments which are public companies referred to in paragraph (c) of section 3 of the Finance Leasing Act, No. 56 of 2000 (hereinafter referred to as "Specialized Leasing Companies"). |
| 2. Maximum LTV ratio | 2.1 Commencing 15th September 2015, Specialized Leasing Companies shall not grant loans and advances for the purpose of purchase or utilization of a motor vehicle, in excess of 70 per cent of the value of such vehicle (LTV ratio of 70%).
2.2 A Specialized Leasing Company shall not grant loans and advances for purchase or utilization of motor vehicles other than loans and advances granted in accordance with section 2.1 above. |
| 3. Interpretations | 3.1 In these Directions,
a. Loans and advances shall include finance leases, hire purchase facilities and other loans and advances granted for the purpose of purchase or utilization of motor vehicles.
b. The value of the motor vehicle shall be the market value obtained from a professional valuer at the time of granting loans and advances as per the prevailing practice. |

K M A N Daulagala

**Director, Department of Supervision of Non-Bank Financial Institutions
Central Bank of Sri Lanka**

No. 02 of 2015

29 October 2015

**LOAN TO VALUE RATIO FOR LOANS AND ADVANCES
IN RESPECT OF MOTOR VEHICLES**

Issued under section 34 of the Finance Leasing Act, No. 56 of 2000.

The Finance Leasing Direction No. 01 of 2015 dated 14 September 2015 on the above subject shall come in to force with effect from 01 December 2015.

U P Alawattage

**Director, Department of Supervision of Non-Bank Financial Institutions
Central Bank of Sri Lanka**