

Fiscal & Financial Concessions granted by Central Bank of Sri Lanka

A circular (No. 05 of 2020) was issued by the Central Bank of Sri Lanka on 27th March 2020 contains a large assortment of fiscal and financial concessions to support Covid-19 hit businesses including self-employments and individuals.

1. Facilitators

- (i) Licensed Commercial Banks
- (ii) Licensed Specialized Banks
- (iii) Licensed Finance Companies
- (iv) Specialized Leasing Companies

2. Beneficiaries (COVID-19 affected businesses / sectors)

- (i) Adversely affected **Tourism, Direct & Indirect export Businesses** including apparel, IT, tea, spices, plantation, and logistic suppliers.
- (ii) Small and Medium Enterprises (SMEs) with turnover below Rs. 1 billion engaged in business sectors such as Manufacturing, Services, Agriculture, Construction, Value addition, Trading businesses including authorized domestic pharmaceutical suppliers.
- (iii) **Self-employment** businesses and individuals who have lost their jobs/income.
- (iv) **Foreign currency earning individuals and corporates** who have to repay foreign currency loans and whose income / business have been adversely affected.

3. Excluded Facilities

- (i) **Any Import facilities** other than on the import of:
 - Pharmaceutical Drugs
 - Medical equipment
 - Food
 - Fertilizer
 - Essential raw materials and machinery & equipment.

4. Types of Facilities

- (i) **Debt Moratoriums** (maximum up to 6 months depending on the nature of facility and the borrower)
- (ii) Waiving off certain **penal interests** & suspending **recovery actions** including legal actions
- (iii) **Credit facilities** including term loans, leasing facilities, Pawning, Overdrafts and Rupee Trade finance facilities

5. Application & Processing

- **Apply on or before 30.04.2020** - The prospective borrowers who have been affected by work disruptions due to Covid-19 /by overseas lockdowns shall apply (via online or other communication).
- **Process within 45 days** - The facilitating financial institutions shall process the request within 45 days of the receipt.

6. The Concessions

The Concession you receive		
Existing Performing Loans as at 25 th March 2020	Existing Non-Performing Loans (NPLs) as at 25 th March 2020	New Loans Granted After 25 th March 2020
<p>1. Six months debt moratorium. Eligibilities;</p> <ul style="list-style-type: none"> ➤ Leasing rentals of all three-wheelers, school vans, Lorries, small goods transport vehicles and buses, and related assets such as motor bikes and taxies operated by the self-employed/owners. ➤ Affected Industries in Small & medium enterprises, tourism, apparel, plantation, IT and related logistic service providers ➤ All other eligible businesses / sectors specified in point 2 above <p>2. A debt moratorium until 30.05.2020 on</p> <ul style="list-style-type: none"> ➤ Personal loans granted to all private sector non-executive employees. <p>3. Three months debt moratorium. Eligibilities;</p> <ul style="list-style-type: none"> ➤ All personal loans and leasing rentals of facility value less than Rs. 1 million <p>4. Overdrafts;</p> <p>4.1 Permanent Overdraft facilities falling due for settlement or maturing or are reviewed during the period up to 25.03.2020,</p> <ul style="list-style-type: none"> ➤ Extended up to 30.09.2020 with maximum of 13% interest during the extended period 	<p>1. The penal interest charged up to 25.03.2020 shall be waived off.</p> <p>2. For Borrowers who have already repaid ≥50% loan;</p> <p>2.1 50% of the unpaid accumulated interest shall be deferred and waived off only after settling the rescheduled loans.</p> <p>2.2 Following shall be rescheduled over a 3 year period,</p> <ul style="list-style-type: none"> ➤ The balance capital O/S, ➤ balance portion (50%) of interest of the defaulted instalments and ➤ the future interest shall be rescheduled over a 3 year period <p>2.3 Moratorium till 30.09.20</p> <p>3 For Borrowers who have already repaid <50% loan;</p> <p>3.1 25% of the unpaid accumulated interest shall be deferred and waived off only after settling the rescheduled loans.</p> <p>3.2 Following shall be rescheduled over a 3 year period,</p> <ul style="list-style-type: none"> ➤ The balance capital O/S, ➤ balance portion (75%) of interest of the defaulted instalments and the future interest shall be rescheduled over a 3 year period <p>3.3 Moratorium till 30.09.20</p> <p>4 Suspension of recovery actions against Borrowers of NPL</p>	<p>1. Working Capital Purpose Loans</p> <ul style="list-style-type: none"> ➤ Loan Amount : Higher of a loan equal to; <ul style="list-style-type: none"> ○ 2 months working capital requirement or ○ Rs. 25 million or Rs. 10 million as follows; <ul style="list-style-type: none"> ≤ Rs. 25 mn per bank per borrower and ≤ Rs. 10 mn per other financial institutions per borrower ➤ Repayment period: 2 Years ➤ Interest Rate: @ 4% p.a. ➤ Moratorium Period: 25.03.2020 to 30.09.2020 ➤ <i>The cost of interest subsidy to be borne by CBSL.</i> <ul style="list-style-type: none"> ○ Banks ≤ 4% ○ Non-bank FI ≤ 7% <p>2. Investment purpose loan</p> <ul style="list-style-type: none"> ➤ Only the Banks permitted to granted ➤ Only to Performing borrowers ➤ Maximum of Rs. 300 mn per bank per borrower ➤ Repayment period ≤ 5 Yrs.

<p>4.2 Temporary Overdraft facilities of eligible borrowers as at 25.03.2020, ➤ Extended by two months with maximum of 13% interest rate</p> <p>5. Trade finance facilities falling due for settlement or maturing or were under review during the period up to 25.03.2020, ➤ Extended up to 30.09.2020</p> <p>6. Paving facilities falling due for settlement or maturing during the period up to 25.03.2020, ➤ Extended up to 30.09.2020</p>	<ul style="list-style-type: none"> ➤ If financial institutions have commenced or given notice of recovery action, such recovery action will be suspended on condition that the concerned financial institution and the client reach a debt re-payment agreement ➤ Financial institutions shall defer passing new resolutions for recovery of loans and advances in respect of borrowers participating in this Scheme ➤ On-going litigations in courts relating to recovery, borrowers will be permitted to participate in the Scheme upon entering into an agreement by submission of affidavit to Courts agreeing to comply with the requirements set out in this Scheme ➤ Suspend legal action against non-performing borrowers who have been accepted under this Scheme 	<ul style="list-style-type: none"> ➤ Interest of AWPLR plus 1.5% (Max.) ➤ Moratorium Period: 25.03.2020 to 30.09.2020
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Key Considerations

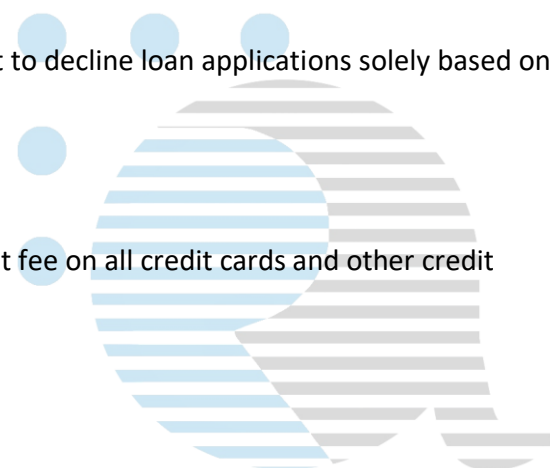
Financial institutions shall extend the existing tenure of loans eligible for debt moratorium by the respective moratorium period

7. CRIB Records

- Financial Institutions are expected to have a mechanism not to decline loan applications solely based on an adverse CRIB record.

8. General Concessions

- No charging for cheque returns, stop payments, late payment fee on all credit cards and other credit facilities during the period up to 30.09.2020.



9. Advice

- If you are in an eligible business/service sector it is advisable to attend to the following;
 - : If you are enjoying any financial facilities at present better to request in writing to the bank/s or financial institution.
 - : Apply for a 2-month working capital facility. Even you are able to manage the working capital it is better to enjoy this facility as a measure of security and better financial management. (Interest is only @ 4% p.a.).
 - : If you are seeking for any expansion of the business, please apply for further capital loan facilities at giving at concessionary rates.

- To facilitate working capital financial assistance and further capital loan facilities need to attend to the followings among others;
 - : Preparation of a **financial forecast** accompanied with a **business forecast** for upcoming period (say for next 2 – 5 years)
 - : The preparation of the working capital requirement to be based on the recent past actual requirement. (say the usage during January – March 2020).
 - : Obtain the loan/facility application forms from the bank/s, fill it and handover to the bank on or before 30th April 2020.

- **In the event if required we are pleased to provide our services in preparation of the forecasts and the filling up of the loan application.**

10. Contacts

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**RANAWEERA ASSOCIATES
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10th April 2020

