IMPACT ASSESSMENT OF COVID-19 ON SMALL AND MEDIUM-SIZED ENTERPRISES FINANCE IN SRI LANKA

1. This note provides supplementary assessment on the macroeconomic development and policy responses in Sri Lanka to support small and medium-sized enterprises (SMEs) since the terror attacks on 21 April 2019 (Easter Sunday Attack).

2. Since the Easter Sunday Attack, the government has introduced several extraordinary policy measures to put the economy back on track. In particular, the support for SMEs has been continuously prioritized by both the government administration at the time of the attacks and the government administration in place after the presidential election in November 2019.

3. The wide spread of the coronavirus disease 2019 (COVID-19) since January 2020 has caused further economic downturn and weaker financial intermediation to SMEs in Sri Lanka. The economy requires countercyclical support measures to mobilize short-term financing for SMEs' business continuity on an urgent basis and provide long-term financing for capital investments in the post-economic recovery phase once COVID-19 fades out.

A. Macroeconomic Context

4. Real Economy. Sri Lanka’s economic growth remained subdued averaging 3.9% during 2014–2018. The gross domestic product (GDP) growth slowed to 2.3% in 2019 from 3.3% to 2018. The decline in economic growth in 2019 was mainly due to (i) Easter Sunday Attack in April 2019 that disrupted economic activity particularly in the tourism sector, (ii) political uncertainty over the outcome of the presidential election scheduled in November 2019, and (iii) adverse weather conditions resulting to subdued growth in agriculture. Despite government stimulus measures (see Section B), the lack of investment, reduced growth in credit, and lower level of household spending decelerated economic growth. From 2018 to date, policy uncertainty caused by the changes in the political situation has continuously undermined private investor demand with little signs of any sustained pick up until election uncertainties are cleared.

5. Fiscal Management. Sri Lanka had perpetual high fiscal deficits averaging 6.3% from 2009 to 2018. The deficit widened to 6.5% in 2019 due to (i) a reduction in revenue caused by weak tax collection following a large decline in imports and subdued economic activity after the Easter Sunday Attack and (ii) a marginal increase in recurrent expenditure for the salaries and pensions of government officials. The elevated fiscal deficit has continued to add to substantial public debt, which increased from 71% of GDP in 2014 to 84% of GDP in 2019. The high debt to GDP limits the country’s fiscal space and makes it highly vulnerable to external shocks. The share of domestic debt in the total outstanding declined from 58% in 2014 to 50% in 2018 with the increase of net foreign borrowing and currency depreciation.

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1 This supplementary appendix summarizes key updates on Financial Analysis (accessible from the list of linked documents in Appendix 2) and Economic Analysis (accessible from the list of linked documents in Appendix 2) prepared in February 2020.
2 The country was impacted by a series of coordinated terrorist bomb explosions on 21 April 2019 (Easter Sunday Attack) targeting hotels and churches in major cities resulting in a significant adverse shock to the economy on multiple fronts.
3 The recurrent expenditure has increased from SLRs2,090 billion in 2018 to SLRs2,301 billion in 2019 (Source: Ministry of Finance. 2020 Pre-election Budgetary Position Report)
6. **External Sector.** From the external balance perspective, the country had perpetual current account imbalance averaging 11% from 2014 to 2018. The country has seen an improved trade balance by 23% in 2019 due to the sharp decline in oil prices. Earnings from worker remittances, apparel, and tourism are key sources of foreign exchange, which account for 8.5%, 6.0% and 4.1% to GDP, respectively.

7. **Financial Sector.** The financial assets are dominated by the banking sector. It experienced rapid growth post the end of the civil war during 201–2019 with total assets growing at a compounded annual growth rate (CAGR) of 18%. Total asset growth moderated to a CAGR of 11.8% during 2015–2019. The loan portfolio growth at 14.4%, with customer deposits growth at 14.1% during 2015–2019 indicates that banks increased lending in proportion to deposit growth without relying heavily on borrowing. The full implementation of Basel 3 ensures the banking sector's stability with adequate regulatory capital and sufficient liquidity and strengthened their resilience to external shocks. However, the gross nonperforming loan (NPL) ratio of licensed banks increased from 2.5% in 2017 to 4.7% in 2019. The operating environment for banks was challenging due to supply and demand issues in real economy (para. 4). Banks have increased loan loss provisions at a CAGR of 20.3% during 2017–2019, which resulted in a declining trend of profitability measured by return on assets from 1.4% in 2017 to 0.9% in 2019.

B. **Recent government measures to support SMEs**

8. **Government Relief Package in response to Easter Sunday Attacks (from April 2019).** The government introduced relief measures to mitigate the adverse impact of the Easter Sunday Attack on SMEs. New fiscal measures such as tax reduction were adopted: (i) VAT reduction from 15% to 5% and (ii) removal of import duty on security equipment. Furthermore, the Central Bank of Sri Lanka (CBSL) introduced a new scheme to give short-term financial relief to the affected SMEs mainly in the tourism sector, which accounted for 4.9% of GDP in 2018. Under the scheme, the licensed banks are required to provide a capital and interest moratorium on loans to SMEs in the tourism sector that were performing before the Easter Sunday Attack until March 2020. The scope of eligible SMEs was expanded in August 2019 to include SMEs who suffered from business disruption, either directly or indirectly, after the Easter Sunday Attack. Banks were required to classify the identified loans for moratoriums as non-performing, thus the incentive for banks to use the scheme was minimal.

9. In April 2019, CBSL imposed a maximum interest rate on Sri Lanka Rupee deposits of licensed banks to reduce interest rates on lending to enhance credit flows. In September 2019, CBSL removed the maximum interest rates on deposits and it introduced the maximum interest rates on the lending by licensed banks. Licensed banks are required to reduce the interest rates by at least 2% in comparison to the original interest rates as of 30 April 2019 if the original interest rates exceeded 12.5%. Also, the maximum average weighted prime lending rate (AWPR) shall be reduced by at least 2.5% for licensed commercial banks and 1.5% for licensed specialized banks compared to that as of 26 April 2019.

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5 Oil imports account for around 20% of the total import during 2014–2018 (Source: Central Bank of Sri Lanka).
6 See Section B of Financial Analysis (accessible from the list of linked documents in Appendix 2).
7 See Section C of Financial Analysis (accessible form the list of documents in Appendix 2).
9 The relief measures initially covered businesses registered with tourism authorities in the country as at April 2019 which was then widened to include businesses who did not register and businesses in the entertainment and other sectors who were indirectly impacted by Easter Sunday Attack.
10 The cap on the saving deposits was set at the Standing Deposit Facility Rate minus 0.5%. The caps on terms deposits were set at T-bill rate minus 0.5% to plus 2.5% depending on the maturity of term deposit.
10. **Follow-on economic revival measures (from January 2020-).** A new government administration was formed resulting from the presidential election in November 2019. The new government administration has introduced a series of financial measures, whose objective was to further stimulate economic activity by easing financial conditions for a broader range of SMEs and stimulate private sector credit growth. In January 2020, CBSL issued circulars for scheduled banks to (i) reduce lending rates and to reschedule non-performing loans to SMEs, (ii) provide moratorium on capital repayments for eligible SMEs, (iii) waive interest payments, and (iv) suspend legal action against delinquent accounts. The scope of eligible SMEs included non-tourism sectors, such as manufacturing, services, agriculture (including processing food), and construction. The eligible SMEs were required to submit their applications for the special forbearance to banks by 31 March 2020. However, banks faced administrative challenges in completing the screening of the eligible SME loans from their total loan portfolios.

C. **Immediate Fiscal and Monetary Responses to COVID-19**

11. The global spread of COVID-19 from January 2020 has caused a global supply chain disruption and a decline in global demand. Tourism, apparel, information and communication technology, and other export-oriented sectors were affected by the sharp drop of global demand. The apparel sector, construction sector, and intermediate industries which rely on People’s Republic of China for raw materials were adversely affected by the supply disruptions. Workers’ remittances have significantly dropped from early 2020 due to layoff of workers in foreign countries and reduction in migrant worker departures. The economic slowdown has been gradually spreading over across sectors.

12. The COVID-19 has been damaging Sri Lanka. Sri Lanka promptly imposed social distancing and containment measures in March 2020, which had first helped curb the spread of the virus within the country, recording zero community transmission since 1 May 2020. However, the country saw sudden spikes in COVID-19 cases in early October 2020. The total number of people who had tested positive for COVID-19 sharply increased from 3,402 as of 4 October 2020 to 12,570 as of 6 November 2020. To control the spread of the second wave, the government reintroduced stricter social distancing measures and imposed curfew in some parts of the country including Colombo and two other districts in the Western Province.

13. Sri Lanka’s containment measures have impeded economic activity and aggravated declining growth. ADB revised Sri Lanka’s 2020 GDP growth projection from 3.5% (as of September 2019) to 2.2% in April 2020\(^1\) and further downgraded to −5.5% in September 2020.\(^2\) The second wave in October 2020 is likely to severely impact the recovery prospects as Western Province is the center of economic activity in the country.

14. To urgently respond to COVID-19, the government has introduced a series of fiscal, monetary, and financial measures since March 2020 as described below.

15. **Monetary easing.** In order to circumvent the adverse effects of COVID-19, CBSL introduced an accommodative monetary policy stance. These were intended to safeguard against potential liquidity shortages in the banking sector and to boost private sector-led credit growth. CBSL used monetary policy tools such as (i) policy rate reductions; (ii) imposition of caps on deposit rates, direction to reduce lending rates at a portfolio level, and rate reduction for specific products; (iii) reduction of statutory reserve ratio by 1% for banks; and (iv) temporary removal of

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statutory liquidity ratio until 30 September 2020 for nonbank financial companies (NBFCs). The government also announced that it will lower the interest rate level by asking captive funds such as state-owned banks and provident funds (i.e., Employees’ Provident Fund) to invest more in government securities. CBSL expects the broad-based downward adjustment in market lending rates to continue, thereby ensuring affordable credit to productive sectors of the economy, following monetary easing measures. As a result of the low interest rates and credit schemes, credit disbursed to the private sector notably increased in August 2020. CBSL expects expansion of credit to private sector to be continued.

16. **Financial relief through banking sector to affected borrowers.** CBSL has set up a new relief package to support businesses and self-employed individuals affected by COVID-19 in March 2020. This relief package was extended to all licensed banks and NBFCs. Individual borrowers on consumer credit were provided relief with maximum lending rates. A wide range of measures of the package include:

(i) SLRs50 billion ($263 million) was first introduced in March 2020 to support businesses and individuals adversely affected by COVID-19. The refinance support for the businesses was introduced to provide working capital loans to large enterprises in tourism, other export-oriented sectors, and all SMEs. The eligible subprojects are for obligatory expenses of 2 months, such as employees’ salaries. The subloan tenor is 2 years including a 6-month grace period for debt payment. Banks will lend at 4% and will be refinanced at 1%;
(ii) a 6-month debt moratorium (interest and principal payments) on bank loans for tourism, apparel, plantation and information technology sectors, related logistics providers, and SMEs was introduced.
(iii) interest rate cap on investment loans at 5 years at average weighted prime lending rate (AWPLR) plus 1.5%.

17. The financial relief has been further extended and expanded since March 2020, such as:

(i) In June 2020, the support for businesses was further expanded to SLRs150 billion ($790 million) to provide a new working capital facility for domestic businesses. As at 15 October 2020, CBSL approved SLRs178 billion ($937 million) working capital loans, which exceeded the initial allocation of SLRs150 billion, with banks disbursing SLRs133.2 billion ($702 million) to 45,582 businesses.
(ii) In November 2020, CBSL announced that the 6 months moratorium until 30 September 2020 (para. 16 (i)) can be further extended to 31 March 2020.

18. **Temporary relaxation of banking regulation.** CBSL has recognized that the current situation will increase bank losses due to increasing credit risk associated with the impact of COVID-19. CBSL allows domestic systemically important banks (D-SIBs) to use the capital conservation buffer up to 1% and non-D-SIBs to use it up to 0.5%. In addition, CBSL provided

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13 Central Bank of Sri Lanka (CBSL) reduced policy rates three times from April 2019 to August 2019 and once in April 2020. Current standing deposit facility and lending facility rates are at 6% and 7%, respectively. The current reserve ratio is at 4%.
15 As of 3 April 2020, the 6-month average weighted prime lending rate is at 9.86% and the 6-month average weighted deposit rate is at 8.16%. There has been no update on the implementation arrangements for this scheme.
regulatory forbearance by deferring the requirement to enhance capital by banks which have yet to meet the Basel 3 requirement by end 2020 until end 2022. NPL classification rules have also been relaxed.\textsuperscript{18} Extensions were granted to those NBFCs who have not yet complied with Basel 3.

D. Initial impact assessment of COVID-19 and government response

(i) SME sector

19. COVID-19 lockdown has reduced economic activity significantly. Supply chain disruption has caused SMEs to face a longer cash conversion cycle. SMEs also need to continue paying recurrent costs for its business continuity, such as office rental cost and salaries to their employees. As a result, SMEs are incurring losses and delaying debt payments. SMEs’ immediate financial needs have been sharply increasing to (i) minimize the negative impacts of business disruptions and retain employment and (ii) take precautionary measures for the uncertainty of the scale and duration of the impacts of COVID-19.

20. Compared to large firms, SMEs are more vulnerable in times of economic downturn and supply-side shock because they (i) are too small to downsize, (ii) are less diversified in their economic activities, (iii) have lower capitalization, and (iv) lack various financing options. SMEs in global value chains are even more vulnerable as they often bear the brunt of the difficulties of the large firms. Despite the moratoriums, most SMEs are afraid to accumulate high interest debt burden and roll-over risk of working capital without sufficient revenue. Given SMEs’ large presence in various sectors and the ability to create employment opportunities in Sri Lanka, the government should continue to prioritize support for SMEs to mitigate the impact from economic shock by ensuring their business continuity in the short term.

21. On a positive note, new business opportunities are emerging. SMEs in the food and beverage industry and retail and wholesale trade are likely to experience significant demand from the community due to people’s behavioral changes under the lockdown to ensure local travel difficulties. SMEs will also need to strengthen infrastructure to cater to a higher number of online services and logistics as consumers enjoy this convenience. In addition, manufacturers of consumer durable items are scaling up due to demand driven by work from home arrangements. These new business opportunities create short-term and long-term financing demand for growth, which may be an impetus for economic recovery as COVID-19 is fading.

(ii) Capital Markets

Sri Lanka’s capital markets have come to a virtual standstill post COVID-19 as the market closed in late March 2020 due to the lockdown. The Colombo Stock Exchange (CSE) had an estimated market capitalization of 19\% as at end 2019. The All-Share Price Index was reduced by 25\% while the Standard and Poor’s Sri Lanka 20 declined by 34\% from January to March 2020. The CSE was closed during 23 March–11 May 2020 due to a curfew being implemented in the country. The CSE and Securities and Exchange Commission launched a new initiative to promote

\textsuperscript{18} Allow banks to consider all changes made to payment terms and loan contracts from 16 March 2020 to 30 June 2020 due to challenges faced by customers amidst the COVID-19 outbreak as “modifications” instead of “restructuring” for the purpose of classification of loans & advances and computing impairment.
digitalization of stock market operation, including electronic account opening, trading and settlement, and monitoring of their accounts through a mobile app.20

(iii) Banking Sector

22. Despite the immediate demand by SMEs for affordable short-term financing, banks face difficulty in lowering their lending rates to the level that would be acceptable to SMEs because of the banks’ higher cost of funds, which is difficult to be lowered. The CBSL’s refinancing scheme (para. 16 [ii]) was designed to address this issue by providing refinancing to banks at 1%, which enables onlending to SMEs at 4%.21

23. Also, in the medium term, there is a risk that the financial intermediation will further be weakened because of (i) decreased banks’ lending capacity and (ii) decreased SMEs’ borrowing demand due to their over-indebtedness, which will lessen the pace of economic recovery.

24. Liquidity risk. The debt relief schemes introduced in April 2019–March 2020 have supported the majority of eligible performing SME clients to deal with potential cash flow shortage. However, there is a concern on the liquidity shortage in the banking sector in the immediate future due to their provision of moratorium on capital repayments although the decreased new loan provisions and monetary easing have offset the impact of moratorium. Deposit growth is expected to be decelerated by the increased deposit withdrawal if the lockdown and buildup of food and beverage items are prolonged.

25. Solvency risk. The net profit of the Sri Lankan banking sector reduced by 9% in 2018 and 12% in 2019, which may further be reduced in 2020. The short-term outlook for the banking industry looks challenging due to the decrease in profitability, deterioration in asset quality, and erosion of capital. In terms of new credit growth, the lending rate caps will not be helpful as banks will not be able to adopt risk-based pricing.22 It is expected that the potential NPL stock in the banking sector will rise significantly notwithstanding the relaxation of asset classification rules (para. 15). Profitability will be negatively affected due to higher provisions and reduced net interest margins with lending caps and lag effect of reduced rates in the deposit markets. The sector is highly dependent on interest income, accounting for 90% of total income, which make the banks’ profitability highly sensitive to increase NPLs. The banking sector is still financially stable given that banks have adequate capital beyond the stringent Basel 3 requirements, which can accommodate potential losses due to COVID-19 in short-term. However, many banks are not expected to use the capital conservation buffer for fear of any adverse reaction from rating agencies and associated higher cost for the rise in medium-term debt, which may lead to banks’ aversion to expanding their loan portfolios especially to SMEs.

26. Against this backdrop, better cost management strategies through automation, digitalization, and use of fintech in order to maintain profitability and risk management will be important. Over the long term, the potential recovery of the economy, normalization of private sector credit growth and lower market lending rates will support a resilient banking sector.


21 Costs of funds of licensed commercial banks are expected at 5%–7%. Those of licensed specialized banks are higher.

22 Existing regulatory guidance on lending rates are (i) reduction in portfolio lending rate by at least 2% for licensed commercial banks and by at least 1.5% for licensed specialized banks as at December 2019 vis-a-vis April 2019, (ii) cap on 12.5% for new loans, and (iii) eligible small and medium-sized enterprises to receive 4% interest on working capital for loans given post COVID-19.
### SUMMARY OF FISCAL, FINANCIAL, AND REGULATORY MEASURES OF SRI LANKA

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<th>Event / Reason</th>
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| To mitigate the impact of Easter Sunday Attack on the tourism sector and on overall economy (April–June 2019)                                                                                           | • 1-year moratorium on capital and interest repayment for the travel and tourism sector, including their employees  
• 2-year working capital loans based on turnover at a subsidized interest rate of 3.4% under “Enterprise Sri Lanka” credit program  
• VAT liability reduced from 15% to 5% (tourism sector’s VAT contribution in 2018 amounted to SLRs18 billion)  
• Informal sector involved in the tourism sector can benefit from a SLRs500,000 interest-free loan with a 1-year moratorium from the Regional Development Bank  
• Duty-free importing of security equipment  
• Introduction of cap on lending rates at 12.5% and reduction of lending rates by 2% for licensed commercial banks and 1.5% for licensed specialized banks as compared with those in late April | • 8 May 2019: [https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_07_of_2019.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_07_of_2019.pdf)  
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<td>bank are entitled for a capital moratorium during 1 January 2020 to 31 December 2020</td>
<td>• An additional loan or a new loan facility not exceeding SLRs300 million may be provided by a licensed bank, for investment or working capital purposes, with a maximum grace period of 1 year, subject to certain conditions. Investment loan facilities should be repaid over 5 years at an interest rate equal to a maximum of AWPR plus 1.5% to expand business activities. The working capital purpose loan facility should be repaid over 2 years at an interest rate equal to AWPR. • The total penal interest accrued and unpaid on NPL loans and advances will be waived by licensed banks. • For NPLs, reschedule balance capital and interest if SMEs have repaid 50% or more of the initial capital. The balance capital outstanding, balance portion of interest of the defaulted instalments, and the future interest will be rescheduled. • For new working capital loan, licensed banks may grant a maximum of 3 months working capital requirement as a loan with a maximum tenure of 6 months to SMEs which are in NPL category to revive businesses at an interest rate of not more than 2% plus the prevailing Standing Lending Facility Rate, subject to conditions. • Licensed banks will defer auctioning of assets until 31 December 2020 and suspend legal action against non-performing borrowers who are participants of this Scheme. • Licensed banks are expected to have a mechanism not to decline loan applications solely based on an</td>
<td>• 30 Jan 2020: <a href="https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_02_of_2020_0.pdf">https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_02_of_2020_0.pdf</a> • 10 March 2020: <a href="https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/SNBFI_Circular_No_1_of_2020_e.pdf">https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/SNBFI_Circular_No_1_of_2020_e.pdf</a></td>
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| To mitigate the impact of COVID-19 on the economy and to provide relief to multiple sectors (March 2020) | - CBSL reduced monetary policy rates by 25 basis points on 16 March 2020 and lowered the required reserve ratio on domestic currency deposits of commercial banks by one percentage point to ease liquidity conditions.  
- Commercial banks were prohibited for 3 months from purchasing Sri Lankan international sovereign bonds from the market, to alleviate pressure on the currency.  
- In addition, authorized dealers of foreign exchange were allowed to issue foreign currency notes as travel allowance only up to a maximum of USD5,000 (or its equivalent in other foreign currency).  
- Measures to provide further space for LFCs/SLCs to assist COVID-19 affected businesses and individuals on an urgent basis.  
- Reduction of maintenance of liquid asset requirement for time deposits, savings deposits and borrowings to ease liquidity stress faced by LFCs/SLCs due to sudden withdrawal of cash by depositors and non-repayment of loan rentals.  
- SLRs150 billion ($790 million) new working capital facility to provide working capital loans to large enterprises in tourism, other export-oriented sectors, and all SMEs. The eligible subprojects are for obligatory expenses for the coming 2 months, such as employees' salaries. The subloan tenor is 2 years. | - 16 March 2020: https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/Press%20Release%20-%20Central%20Bank%20Eases%20Monetary%20Policy%20Further.pdf  
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<td>years including a 6-month grace period for debt payment. Banks lend at 4% and are refinanced at 1%.</td>
<td>• The debt moratorium for SME loans until 30 September 2020 will be further extended to 31 March 2021.</td>
<td>• 9 November 2020: <a href="https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_No_10_of_2020_e.pdf">https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_No_10_of_2020_e.pdf</a></td>
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The Monetary Board of the Central Bank of Sri Lanka has decided to introduce several extraordinary regulatory measures to provide flexibility to Licensed Commercial Banks and Licensed Specialized Banks to provide some relief to businesses and individuals affected by the coronavirus disease 2019 (COVID-19) crisis. In deciding these measures, the Monetary Board took note of the overall resilience of the banking sector especially due to the already built-up capital buffers, the current and future liquidity levels, potential upsurge in the rising trend in nonperforming loans due to the inability of majority of the borrowers to service their loans as usual and extraordinary disruptions to the functioning of the economy.

The Monetary Board introduced the following extraordinary measures to provide further space for banks to assist businesses and individuals affected by COVID-19 on an urgent basis:

1. Allow Domestic Systemically Important Banks and non-Domestic Systemically Important Banks to draw-down their capital conservation buffers by 100 basis points (bps) and 50 bps, respectively, to facilitate smooth credit flows to the economy and borrowers affected by COVID-19 to sustain their businesses in the immediate future.

2. Withdraw the requirement to classify all credit facilities extended to a borrower as nonperforming when the aggregate amount of all outstanding nonperforming loans granted to such borrower exceed 30% of total credit facilities.

3. Allow banks to recover in Rupees, as the last resort, in circumstances where recovery of loans in foreign currency is remote, subject to banks ensuring certain conditions are met.

4. Permit banks to give an extension of 60 days, to borrowers who are not entitled to any other concession, to settle loans and advances which are becoming past due in March 2020 and not to consider such facilities as past due until the end of this 60 day period.

5. Allow banks to consider all changes made to payment terms and loan contracts from 16 March 2020 to 30 June 2020, due to challenges faced by customers amidst the COVID-19 outbreak as “modifications” instead of “restructuring” for the purpose of classification of loans & advances and computing impairment.

6. Defer the requirement to enhance capital by banks which have yet to meet the requirement by end 2020 until end 2022.

7. Reset the timelines for addressing supervisory concerns, if necessary, by prioritizing on the severity/importance of the concerns raised. Banks which are required to meet timelines to address supervisory concerns/findings during the period up to 30 May 2020, are granted a further period of 3 months to address such supervisory concerns.

8. Extend the deadline for submission of statutory returns to the Bank Supervision Department by 2 weeks and the publication of quarterly financial statements by 1 month, until further notice.