



MONETARY BOARD
CENTRAL BANK OF SRI LANKA

16 June 2021

BANKING ACT DIRECTIONS

No. 10 of 2021

**INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY
LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK**

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

1. The Central Bank of Sri Lanka (CBSL) hereby revokes the Banking Act Directions No. 06 of 2021 dated 23 April 2021 on Investments in Sri Lanka International Sovereign Bonds (ISBs) by Licensed Commercial Banks (LCBs) and National Savings Bank (NSB), subject to the conditions set out in this Direction.
2. LCBs and NSB may purchase ISBs in the secondary market subject to the following conditions:
 - (i) Source of funds to be limited to fresh borrowings from overseas and it should be established to the satisfaction of the CBSL. For this purpose, LCBs and NSB are required to provide documentation of the borrowings overseas as specified in Direction 9.1 of the Banking Act Directions No. 11 of 2018 on Foreign Currency Borrowings by Licensed Banks, to the Director of Bank Supervision (DBS).
 - (ii) Investment of funds sourced as per 2 (i) above in Sri Lanka Development Bonds (SLDBs) and ISBs in the proportion of 50 per cent each, and LCBs and NSB shall submit the following information on their investments in ISBs and SLDBs to DBS and the Superintendent, Public Debt Department.
 - a. Date of investment
 - b. International Securities Identification Number (ISIN)
 - c. Amount invested in ISBs and SLDBs
 - (iii) LCBs and NSB to adopt risk mitigation measures to prevent maturity mismatches between the borrowings and the ISB/SLDB investments, adopting appropriate risk mitigation arrangements to bridge any short-term maturity mismatches that may occur, in addition to other risk mitigation measures already prescribed/followed.

Prof. W D Lakshman

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