



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

14 September 2015

BANKING ACT DIRECTIONS

No. 02 of 2015

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

Issued under Sections 46(1) and 76(J)(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 76(J)(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 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*