

**INTERNAL OFFICE MEMORANDUM**

<b>FROM: -</b>	<b>CEO/ EXECUTIVE DIRECTOR</b>
<b>To</b>	<b>ALL STAFF.</b>
<b>Subject</b>	<b>Minimum Information to be maintained in Credit Files</b>
<b>DATE: -</b>	<b>1<sup>st</sup> March 2022</b>

The Direction No 01 of 2020 on the subject "Classification and Measurement of Credit facilities" will become operative for the financial year beginning on 01.04.2022.

It is a condition in the said direction that all licensed finance companies maintain in the borrowers' credit files, minimum basic information used to objectively evaluate the quality of the borrowers, the borrowers' credit facilities and periodic credit reviews, including those listed in their appendix A to the direction, where applicable.

The contents in the aforesaid appendix A are quoted below to enable all staff members involved in credit administration activities to follow.

*CBSL Appendix A to Direction No 01 of 2020*

*Quote*

**Minimum Information to be maintained in Credit Files**

**Natural Persons -** Occupation, Employer, Salary/Income, Financial position/net worth and any other relevant information.

**Others -** Constitution (proprietorship, partnership, private company, public company, society, club, co-operative, statutory board), Business background and history, Organization structure, Management-team/Directors, Shareholders/proprietor/ partners, Financial position and performance, and any other relevant information,

**1. INFORMATION ON CREDIT FACILITY**

- a) Description of facility type
- b) Purpose of facility
- c) Terms of facility -limits, interest rates, repayment schedules, expiry dates
- d) Collateral "types, valuation amount, valuation date and where applicable, name of the valuer.

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- e) Guarantors - names, financial position and net worth
- f) Business Sector in which the loan is given (i.e., agriculture, manufacture, retail. etc.)

## **2. INFORMATION ON APPRAISAL OF CREDIT APPLICATION**

*(Certain information would not be applicable for borrowers who are natural persons.)*

- a) Assessment and recommendations of account officer/manager
- b) Approval and basis of approval by management/credit committee

## **3. QUALITATIVE ANALYSES BASED ON:**

- a) Borrower information
- b) History of relationship with customer
- c) Information on the finance company relationship of other related groups of the borrower with the LFC
- d) Information obtained on the borrower from other institutions and sources, including related offices of the LFC.
- e) Analysis of industry and business risk
- f) Single customer concentration (if appropriate)

## **4. QUANTITATIVE ANALYSES BASED ON:**

- a) Financial position and performance (previous, current and projected)
- b) Business plans, sources and cash flow forecast for meeting repayment requirements
- c) Capital resources
- d) Other commitments
- e) Collateral appraisal and value

## **5. INFORMATION ON PERIODIC CREDIT REVIEW**

*(Certain information would not be applicable for borrowers who are natural persons.)*

**Assessment and recommendations of credit review officer, including:**

- a) Credit grading /rating accorded
- b) Provision for losses
- c) Suspension of interest
- d) Approval and basis of approval for renewals; revision in terms and conditions; and changes in credit grading

**Latest available information on: -**

- a) Outstanding facilities utilized, including contingent liabilities, commitments and other off-balance sheet transactions
- b) Conduct and servicing of account



- c) Correspondences and call reports from meetings with borrowers and site visits d. Current qualitative analyses based on latest updated information on borrower,
- d) including review comments from internal and external auditors, where available
- e) Current quantitative analyses based on latest updated financial information, appraisals and valuations
- f) Information on the account conduct of other related groups of the borrower
- g) Analysis of industry and business risk
- h) Assessment of credit report obtained from Credit Information Bureau of Sri Lanka.

*Unquote*

Please ensure compliance with the above requirements, which have been conveyed to us by the Central Bank of Sri Lanka, under their Direction referred to above

*R. G. An*

CEO/ Executive Director



The first part of the report is a general introduction to the subject of the study. It discusses the importance of the study and the objectives of the research. The second part of the report is a detailed description of the methodology used in the study. This includes a discussion of the data sources, the sampling method, and the statistical techniques used to analyze the data. The third part of the report is a discussion of the results of the study. This includes a comparison of the results with the objectives of the study and a discussion of the implications of the findings. The final part of the report is a conclusion and a list of references.

The results of the study show that there is a significant difference between the two groups. This difference is statistically significant at the 5% level. The results also show that the difference is not significant at the 1% level. This suggests that the difference is not due to chance.

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