****

Credit Circular No 2020/18

7th July 2020

**LENDING AGAINST THE GUARANTEE OR INDEMNITY OF AN EMPLOYEE**

1. Branch Managers attention is drawn to Credit Circular No 2020/14 dated 6th July 2020 paragraph 2 issued by us to comply with Direction No 1 of 2007 of the Central Bank of Sri Lanka which relates to the caption activity as follows; -

“No finance Company shall Grant any accommodation on the **guarantee** or on the indemnity of a director of the finance company, a relation of a Director of the Finance company or any **employee of the finance company**”

1. The examiners of the Central Bank of Sri Lanka in their examination report has expressed their concern on the subject activity stating that we have granted loans on **the guarantee of our employees** in certain instances and thereby we have not complied with their direction cited above.
2. The schedule provided by them in this regard is attached for the information of the Branch Managers.
3. Branch Managers are required to communicate with the relevant borrowers in the aforesaid schedule where applicable, and rearrange the relevant facilities against a collateral acceptable to us, and forward the relevant Credit Paper to the Credit Department at Head for consideration.
4. Please mention in the relevant credit paper that the rearrangement is made in terms of this circular quoting the circular number.
5. Please insure compliance with the requirements in this circular immediately under advice to Head of Compliance and the under signed to enable us to inform the Central Bank of Sri Lanka the action taken by us to rectify their aforesaid concern.

Signed

**CEO/ EXECUTIVE DIRECTOR**