



## MONETARY BOARD

### CENTRAL BANK OF SRI LANKA

28 October 2016

FINANCE BUSINESS ACT DIRECTIONS

No. 2 of 2016

#### MAXIMUM INTEREST RATES ON DEPOSITS AND DEBT INSTRUMENTS

Issued under Section 12 of the Finance Business Act, No. 42 of 2011

The Monetary Board issues Directions as follows for the maximum interest rates payable on saving and term deposit products accepted or renewed and debt instruments issued by Licensed Finance Companies (LFCs).

1. Maximum interest rates
  - 1.1. The maximum interest rates that may be offered or paid by an LFC on term deposit products and debt instruments at the time of accepting or renewal or issuing shall not exceed the following basis points over the primary auction Weighted Average Yield Rate (WAYR) of 364 days Treasury bills;
    - 1.1.1. in respect of term deposit products;
      - (i). 300 basis points for products maturing one year or less;
      - (ii). 400 basis points for products maturing over one year and up to three years; and
      - (iii). 550 basis points for products maturing over three years.
    - 1.1.2. in respect of debt instruments;
      - (i). 300 basis points for instruments maturing one year or less;
      - (ii). 400 basis points for instruments maturing over one year and up to three years; and
      - (iii). 650 basis points for instruments maturing over three years.
  - 1.2. In respect of saving deposits, the maximum interest rate shall be the primary auction WAYR of 91 days Treasury bills.
  - 1.3. Notwithstanding the provisions of Directions 1.1.1 and 1.2 above, an LFC may pay an additional interest not exceeding 100 basis points exceeding the maximum interest rates stipulated above to Senior Citizens' deposits.

2. Applicable Weighted Average Yield Rate
- 2.1. Applicable WAYR referred to in Directions 1.1 and 1.2 above shall be announced by the Director at the end of months of June and December of each year and such WAYR shall be the overall WAYR relating to the primary auctions for Treasury bills conducted in the respective months.
- 2.2. The WAYR announced in June shall be applicable for the period of second half (July to December) of the year and the WAYR announced in December shall be applicable for the period of first half (January to June) of the following year.
3. Regulatory reporting
- 3.1. Every LFC shall submit details of the interest rates in accordance with the monthly web based return on 'Rate of Interest'.
4. Interpretations
- 4.1. "Term deposit products" mean any deposit other than savings deposits accepted or renewed by an LFC with an agreement to repay after a specified period of time;
- 4.2. "Debt instruments" mean a bond, debenture, commercial paper, promissory note or any other instrument used for borrowing as may be determined by the Director.
- 4.3. "Senior Citizens" mean persons who are over fifty five (55) years of age at the time of accepting or renewal of a deposit.
- 4.4. "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
5. Revocation of previous Direction
- 5.1. The Finance Companies (Interest Rates) Direction, No.01 of 2014 is hereby revoked.



**Dr. Indrajit Coomaraswamy**  
*Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka*