



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

06 March, 2019

MICROFINANCE ACT DIRECTIONS

NO. 1 OF 2019

DEPOSITS

Issued under Section 11 of the Microfinance Act, No. 6 of 2016.

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| 1 | Repealing of Directions No. 3 of 2016 on Deposits | 3.1 | Microfinance Act Directions, No. 3 of 2016 on Deposits is hereby repealed |
| 2 | Restrictions on accepting time and savings deposits | 2.1 | Every Licensed Microfinance Company (LMFC) shall:

i. Accept deposits only as collateral deposits.
ii. Not accept any deposit from minors. |
| 3 | LMFCs to be a net lender and every customer to be a net borrower | 3.1 | LMFCs shall always be in the position of a net lender. The total deposits of a LMFC shall not be more than sixty percent (60%) of its total performing loans and advances. |
| | | 3.2 | If a customer of a LMFC has fully repaid a loan obtained from a LMFC, such LMFC shall not hold the collateral deposit for a period of more than six (6) months from the date the loan repayment was completed. |
| 4 | Prohibition of incentive schemes | 4.1 | No LMFC shall introduce any incentive scheme for soliciting deposits. |
| 5 | Interpretations | 5.1 | <i>A Collateral Deposit</i> means a savings deposit obtained as a collateral from a borrower against a lending facility granted to such borrower. |
| | | 5.2 | <i>A minor</i> means a person who has not attained the legal age of majority within the meaning of the Age of Majority Ordinance (Chapter 66) and any amendments thereto. |
| | | 5.3 | <i>Incentive Scheme</i> means an arrangement to confer a monetary or material benefit on the depositors other than by way of interest. |

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