



Ref: 24/16/001/0002/001

10th June 2022

Chairpersons
All Licensed Micro Finance Companies (LMFCs)

Dear Sir/Madam,

Maximum Interest Rate on Microfinance Loans granted by LMFCs

The Monetary Board of the Central Bank of Sri Lanka at its meeting held on 01.06.2022 has granted approval for the followings:

- a) Revoke the Microfinance Act Direction (maximum rate of interest on microfinance loans) No.2 of 2019 issued to LMFCs with respect to maximum interest rate on microfinance loans.
- b) Monitor the microfinance lending through a suitable reporting mechanism by the Director, Department of Supervision of Non-Bank Financial Institutions (DSNBFI) as per the below definition on microfinance loans.
'Unsecured loans excluding credit card facilities, of which the size is not more than Rs. 250,000/-, granted as group or individual loans, for,
 - i) *Income generating activities, or*
 - ii) *Consumption purposes of housing, health, and education, to customers who have an outstanding microfinance loan granted for an income generating activity, and/or have a deposit balance and/or obtained any other financial services from the LMFCs'.*
- c) Take appropriate actions under the relevant provisions of the Act governing LMFCs by Director, DSNBFI in the event of exorbitant interest rates being charged by LMFCs.

Please take necessary action to communicate the contents of this letter to all members of the Board of Directors and the relevant officers of the LMFCs.

Yours faithfully

-Signed-
(Mrs.) R M C H K Jayasinghe
Director

CC: Chief Executive Officers of LMFCs