



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

26 April 2019

MONETARY LAW ACT ORDER

No. 01 of 2019

**MAXIMUM INTEREST RATES ON SRI LANKA RUPEE DEPOSITS
OF LICENSED BANKS**

Considering the high real interest rates on deposits and lending products prevailing in the economy and the need to strengthen and expedite monetary policy transmission through the financial system, and for licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to reduce interest rates on lending and thereby enhance credit flows to the real economy, the Monetary Board hereby issues an Order on maximum interest rates to be paid in respect of deposit products of licensed banks.

1. Empowerment under the Monetary Law Act 1.1 In terms of Section 104(1)(a) of the Monetary Law Act, No. 58 of 1949, the Monetary Board may from time to time fix the maximum rates of interest which licensed commercial banks and licensed specialised banks may pay upon various classes of deposits.
2. Maximum Interest Rates on LKR deposits 2.1 Except as provided for in this Order, the maximum interest rates that may be offered or paid by a licensed bank on Sri Lanka Rupee (LKR) deposits shall;
- (i) not exceed the interest rates derived in accordance with Table 01 below, and
- (ii) be based on the Standing Deposit Facility Rate (SDFR) or the Weighted Average Yield Rate (WAYR) of 364-days Treasury Bills (T-bill rate).

Table 01: Maximum Interest Rates at Maturity for LKR Deposits of Licensed Banks

| Tenure of Deposit | Maximum Interest Rate Per annum |
|--|---------------------------------|
| Savings and other deposits of a tenure of less than 03 months or maturity is not specified | SDFR - 0.50% |
| Term Deposits | |
| 03 months and less than 06 months | T-bill rate - 0.50% |
| 06 months and less than 01 year | T-bill rate |
| 01 year and less than 02 years | T-bill rate + 1.00% |
| 02 years and less than 03 years | T-bill rate + 1.50% |
| 03 years and less than 05 years | T-bill rate + 2.00% |
| 05 years or more | T-bill rate + 2.50% |



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- 2.2 Further, the rate at which any periodic interest payments are made on term deposits during the tenure of the deposit should be computed so that the Annual Effective Rate (AER) does not exceed the specified maximum interest rates stipulated above.
- 2.3 Notwithstanding the provisions in Order 2.1(i) above, the maximum rate payable by a licensed bank for savings deposits of children under the age of 18 years and for term deposits with a tenure of 01 year or more of senior citizens shall be 50 basis points (0.5%) higher than rates given in Table 01. With respect to joint accounts of senior citizens, all account holders shall be senior citizens in order for the enhanced rate in Order 2.3 to apply.
3. Applicable SDFR and Yield Rate
- 3.1 The reference rates shall be as follows:
- (i) SDFR for the quarter shall be SDFR as at the end of the immediately preceding quarter.
- (ii) WAYR of 364 days Treasury Bills for the quarter shall be based on the simple average of WAYR of last 04 accepted primary auctions for 364 days Treasury Bills in the immediately preceding quarter.
- 3.2 SDFR and WAYR of 364 days Treasury Bills referred to in Order 2.1(i) shall be announced by the Director of Bank Supervision at the end of the months of March, June, September and December of each year which will be applicable for the following quarter.



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4. Interest rate applicable to Early Withdrawal 4.1 In the case of an early withdrawal of any term deposit prior to its original contracted maturity date, the interest payable on the deposit up to the date of withdrawal shall be computed on the basis of the lower of, the published interest rate of the licensed bank applicable to the completed period prevailing at the time of withdrawal or at a rate of 100 basis points less than the contracted rate. The licensed bank shall at the time of early withdrawal recover any excess interest that may have been paid above the interest amount so computed during the period the deposit was held. However, banks may apply a different formula that would result in the interest and any benefit paid on the early withdrawal of the deposit not exceeding the amount of interest that would have been paid from the application of the formula given in this Direction provided that the basis of calculation is made known to the depositor at the time of making the deposit.
5. Exemptions 5.1 The maximum rate in Order 2.1(i) above shall not apply to;
- (i) the Special Interest Scheme on Fixed Deposits for Senior Citizens provided by the Government of Sri Lanka,
 - (ii) debt securities issued by a licensed bank and listed on a licensed stock exchange, and,
 - (iii) unlisted debt securities issued by a licensed bank that are specifically excluded from this Order by the Monetary Board from time to time.
6. Regulatory Reporting 6.1 Every licensed bank shall submit details of the interest rates in accordance with the existing requirements of weekly web based return on 'BSD-WF-13-IR - Interest Rates ("Bank Only" Totals)'.



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7. Interpretations 7.1 In this Order:

- (i) Term deposits shall mean any deposit other than savings deposits accepted or renewed by a bank with an agreement to repay after a specified time of 03 months or more.
- (ii) Savings deposits shall mean all interest-bearing accounts to which funds can be credited or from which funds can be withdrawn other than on specified dates.
- (iii) Senior citizens shall mean persons who are over sixty (60) years of age at the time of accepting or renewal of a deposit.

8. Implementation 8.1 This Order shall come into effect commencing 29 April 2019 and shall be applicable for new deposits, existing savings deposits and at the renewal of term deposits.

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