



**CENTRAL BANK OF SRI LANKA
BANK SUPERVISION DEPARTMENT**

26 May 2017

CIRCULAR

No. 02 of 2017

Interest Rates on Credit Products

Instructions of the Monetary Board on interest rates on credit cards and other loans and advances and penal interest rates charged on overdue loans and advances by licensed banks are hereby issued for implementation commencing 01 July 2017.

- 1 Interest Rates
 - 1.1 Commencing 01 July 2017, licensed banks may offer or charge interest rates on credit products as per their policies.

- 2 Adequate Disclosures
 - 2.1 Licensed banks shall publish:
 - (i) Applicable interest rates per annum on credit products, in a legible manner when promoting credit products in any media at all times.
 - (ii) Applicable penal interest rates per annum, if any, and the basis of computation, at least in the bank's website for the information of the public and shall be updated regularly to reflect the current rates.
 - 2.2 Licensed banks shall inform the borrowing customers of:
 - (i) Applicable interest rates on credit products prior to completion of credit documentation with respective borrowers.
 - (ii) Any subsequent changes to the interest rates prior to effecting such revision to existing credit.
 - (iii) Applicable penal interest rates, if any, and the basis of computing such rates prior to charging of penal interest at the point of such overdue credit.

- 3 Basis of Computing the Penal Interest
 - 3.1 Penal interest, if any, shall be charged only for the amount in arrears during the overdue period.



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- 4 Weekly Reporting
- 4.1 Licensed banks shall report interest rates on all loans and advances and penal interest rates through the Web Based Off-Site Surveillance System return BSD-WF-13-IR-Interest Rates.
- 5 Revocation of previous circulars
- 5.1 The following circulars applicable to interest rates issued by the Director of Bank Supervision are hereby revoked:
- (i) Circular Ref. No. 02/17/600/002/001 dated 21 September 2010 on Reduction of Interest Rates.
 - (ii) Circular Ref. No. 02/17/600/002/001 dated 17 April 2012 on Interest Rates on Credit Cards and Housing Loans.
 - (iii) Circular Ref. No. 02/17/600/002/001 dated 07 June 2013 on Interest Rates on Credit Cards and Other Loans and Advances.
 - (iv) Circular Ref. No. 02/17/600/002/001 dated 26 July 2013 on Cap on Penal Interest Rates Charged by Licensed Banks on Loans and Advances.

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