



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

**21 August 2020**

**MONETARY LAW ACT ORDER**

**No. 02 of 2020**

**MAXIMUM INTEREST RATES ON LENDING PRODUCTS OF LICENSED BANKS**

Issued under Section 104(1)(b) of the Monetary Law Act, No. 58 of 1949, as amended.

The Central Bank of Sri Lanka (CBSL) has adopted several policy measures in the recent past such as reduction of policy interest rates, statutory reserve ratio and the bank rate, and introduction of extraordinary regulatory measures to reduce the cost of funds of licensed commercial banks (LCBs) and licensed specialised banks (LSBs). These measures were implemented to facilitate licensed banks to assist businesses and individuals affected by the COVID-19 crisis. Consequently, while overall market interest rates have declined in recent weeks, the Monetary Board anticipates a further reduction in overall market lending rates, thereby encouraging borrowing for productive economic activity and reinforcing support for COVID-19 hit businesses as well as the broader economy, given the conditions of subdued inflation. The Monetary Board has therefore, decided to adopt targeted measures to reduce specific interest rates that it considered to be excessive, which would help marginal borrowers.

Accordingly, the Monetary Board hereby issues an Order on the maximum interest rates applicable on Sri Lanka Rupee (LKR) denominated loans and advances granted by LCBs and LSBs, while taking cognizance of differences in their funding structures.

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| 1. Empowerment under the Monetary Law Act               | 1.1 | In terms of Section 104(1)(b) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which LCBs and LSBs may charge for different types of loans or other credit operations.  |
| 2. Interest Rates on LKR denominated loans and advances | 2.1 | Every LCB and LSB shall reduce the lending rates for the following credit facilities at least to the stated levels:<br>(i) Interest rates on credit card advances to 18 per cent per annum commencing from the next billing cycle.<br>(ii) Interest rates on pre-arranged temporary overdrafts to 16 per cent per annum.<br>(iii) Interest rates on the money lent for pawning advances collateralised by personal articles made of gold accepted as a |



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- pledge, to 10 per cent per annum for all new pawning advances and existing pawning facilities that are renewed.
- 2.2 Every LCB and LSB shall ensure that the continuous decline in market interest rates are reflected on the interest rates charged for all other credit facilities at the time of their renewal or when repricing of such facilities.
- 2.3 Every LCB and LSB shall reduce the penal interest rates charged on all loans and advances, including credit facilities already granted, to a level not exceeding 200 basis points per annum, for the amount in excess of an approved limit or in arrears.
- 2.4 Further to Circulars dated 04 March 2020, 28 May 2015 and 16 February 2001 on Recovery of Accommodation to Exporters, charging of enhanced rates of interest on such accommodation where the borrower does not repay on time, to be reduced to 200 basis points per annum until further notice.
- 2.5 Every LCB and LSB shall continue to provide concessions given under the following Circulars relating to interest rates and charging of penal interest rates if such concessions are more favourable than those provided under this Order.
- (i) No. 07 of 2019 on Concessions granted to Tourism Industry dated 08 May 2019.
  - (ii) No. 02 of 2020 on Credit Support to Accelerate Economic Growth dated 30 January 2020.
  - (iii) No. 04 of 2020 on Relief Measures to Assist COVID-19 Affected Businesses and Individuals dated 24 March 2020.
  - (iv) No. 05 of 2020 on Rupees 50 Billion six-month Re-financing Facility to Support COVID-19 hit Businesses including Self-employment and Individuals dated 27 March 2020.
  - (v) No. 07 of 2020 on Relief Measures to Assist COVID-19 Affected Businesses and Individuals 16 July 2020.



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| 3. Monitoring                            | 3.1 | All LCBs and LSBs shall ensure the accuracy of interest rates data submitted to CBSL and maintain internal documented records electronically or manually, in relation to the reductions in interest rates in respect of each type of credit facility to which this Order applies.   |
| 4. Implementation                        | 4.1 | This Order shall come into effect commencing 24 August 2020.  |
| 5. Revocation of Monetary Law Act Orders | 5.1 | The following Monetary Law Act Orders are hereby revoked<br>(i) No. 02 of 2019 on Enhancing Efficiency of the Transmission of Recent Policy Decisions to Rupee Denominated Market Lending Rates dated 24 September 2019.<br>(ii) No. 01 of 2020 on Maximum Interest Rates on Pawning Advances of Licensed Banks dated 27 April 2020 |

**Prof. W D Lakshman**

*Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka*