



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

30 December 2021

MONETARY LAW ACT ORDER

No. 03 of 2021

**MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS
OF LICENSED COMMERCIAL BANKS AND THE NATIONAL SAVINGS BANK**

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

Considering the current and expected macroeconomic developments and the prevailing interest rates on foreign currency deposits of licensed banks, the Monetary Board hereby issues an Order on maximum interest rates to be paid in respect of foreign currency deposit products of licensed commercial banks and the National Savings Bank.

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| 1. Empowerment under the Monetary Law Act | 1.1 In terms of Section 104(1)(a) of the Monetary Law Act, 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 FCY deposits | <p>2.1 The maximum interest rates that shall be offered or paid by a licensed commercial bank and the National Savings Bank on foreign currency (FCY) deposits are as follows;</p> <p>(i) with a maturity of less than or equal to one year shall be based on the simple average of the primary market yields of 364-days Treasury Bills determined at auctions held during the last calendar month of the previous quarter less 150 basis points, or 5 per cent, whichever is higher and;</p> <p>(ii) with a maturity of more than one year shall be determined based on the market behaviour.</p> <p>2.2 In the case of Special Deposit Accounts in FCY, the additional interest rate that can be offered or paid shall be over and above the interest rate applicable in 2.1 above.</p> |
| 3. Basis of calculation | <p>3.1 The auctions for calculating the above average rate, shall be selected based on the auction date falling within the corresponding calendar month, and not the settlement date.</p> <p>3.2 The maximum interest rates for the forthcoming quarter shall be computed on the last working day of the current quarter.</p> |



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| 4. SWAP Cost | 4.1 | Considering recent excessive volatility observed in the USD/LKR domestic swap market, and to ensure orderly conduct of the same, licensed banks are hereby instructed to execute USD/LKR swap transactions, subject to a maximum USD interest rate of 10 per cent per annum. Accordingly, the USD/LKR swap points shall be pro-rated based on the above benchmark USD interest rate for the respective tenors until further notice. |
| 5. Regulatory Reporting and Disclosure | 5.1 | Every licensed commercial bank and the National Savings Bank shall;
(i) submit details of the interest rates offered on FCY deposit products in accordance with the weekly return on 'Rates of Interest', and
(ii) make arrangements to inform and display the interest rates offered to customers on FCY deposit products. |
| 6. Implementation | 6.1 | These Orders shall be effective from 31.12.2021 and shall be applicable for new FCY deposits, existing FCY savings deposits and at the renewal of FCY term deposits. |
| 7. Revocation | 7.1 | Monetary Law Act Order No. 02 of 2021 dated 24.08.2021 on Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank is hereby rescinded. |

Nivard Ajith Leslie Cabraal
*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*