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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

12 May 2022

Our Ref: 33/04/012/0012/004

To: Chief Executive Officers of All Licensed Banks

Operating Instructions on Managing Intraday Volatility of the Exchange Rate

Considering the prevailing condition in the domestic foreign exchange (FX) market and excessive volatility in the exchange rate, the Monetary Board has decided to introduce following measures to facilitate orderly behaviour of foreign exchange market/exchange rate.

Accordingly, all Licensed Banks (LBs) are hereby informed that, with effect from 13 May 2022, the Central Bank of Sri Lanka (CBSL) will announce a middle rate of the USD/LKR exchange rate applicable for interbank transactions, based on the previous day's weighted average spot exchange rate prevailed in the interbank market. Further, the CBSL will also announce the permitted USD/LKR variation margin on a daily basis, before opening of the market. The rates applicable to other currencies shall be determined by LBs based on the announced USD/LKR rate and the variation margin.

The variation margin of the intraday exchange rate of the interbank market shall be within the permitted range and shall be applied as plus or minus of the weighted average interbank USD/LKR spot exchange rate announced. LBs are requested to apply only reasonable margins in determining the rates applicable for customer transactions. Forward rates of the LBs shall also be consistent with the interbank market spot rates.

The fees/commission structure of LBs shall be reasonable, transparent and shall not exceed three percent (3%) of the equivalent rupee value of the transaction.

All LBs are required to strictly adhere to these Operating Instructions.

Dr. P Nandalal Weerasinghe
Governor
Central Bank of Sri Lanka