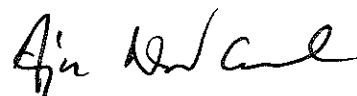


FINANCE BUSINESS ACT, NO. 42 OF 2011

Direction issued by the Monetary Board of the Central Bank of Sri Lanka under section 12 of the Finance Business Act, No. 42 of 2011.



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

Colombo
31 March 2014

FINANCE COMPANIES (INTEREST RATES) DIRECTION NO. 1 OF 2014

- Citation
1. 1.1 This direction may be cited as the Finance Companies (Interest Rates) Direction No. 1 of 2014 and shall apply to every finance company licensed in terms of the Finance Business Act, No.42 of 2011.
 - 1.2 The provisions of this direction shall be applicable for any time deposit, non-transferable certificate of deposit and debt instrument accepted or renewed and issued from the date of this direction.
- Maximum interest rate for a time deposit
2. 2.1 The annual rate of interest which may be paid by a finance company on a time deposit shall not exceed the maximum upper limit of interest rates set out below :-

Time deposit maturity period	Maximum upper limit of interest rates	
One year or less	The quarterly weighted average yield rates of 364 day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize deposits	plus 3.00 percentage points
Over one year – 3 years		plus 4.00 percentage points
Over 3 years		plus 5.50 percentage points

- 2.2 In the case where a time deposit is accepted from or renewed by a person who is over fifty five (55) years of age at the time of making such deposit or renewal of such deposit (hereinafter referred to as a “Senior Citizen”), a finance company may pay an additional interest not exceeding one percentage point above the maximum upper limit of interest rates as per paragraph (2.1).

Maximum interest rate for a saving deposit

3. 3.1 The maximum annual interest rates, which may be paid by a finance company on any savings deposit, shall not exceed the weighted average yield rate of 91-day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize saving deposit.

3.2 In the case where a savings deposit is maintained by a Senior Citizen, a finance company may pay an additional interest not exceeding one percentage point above the maximum upper limit of interest rates as per paragraph (3.1).

Maximum rate of discount for a non-transferable certificate of deposit

4. The rate of discount which may be allowed by a finance company on the issue of a non-transferable certificate of deposit of which the price is less than the redeemable value at maturity shall not exceed the maximum annual yield on the instrument set out below :-

Non-transferable certificate of deposit maturity period	Maximum upper limit of yield rate	
One year or less	The quarterly weighted average yield rates of 364 day Treasury Bills announced by Director to the finance company at the preceding quarter prior to mobilize deposits	plus 3.00 percentage points
Over one year- 3 years		plus 4.00 percentage points
Over 3 years		plus 5.50 percentage points

Maximum annual rate of interest/discount/coupon for a debt instrument

5. 5.1 The maximum annual rate of interest/discount/coupon which may be paid by a finance company on a debt instrument shall not exceed the maximum upper limit of interest rates/coupon rates for maturity periods set out below :-

Debt instruments maturity period	Maximum annual rate of interest/discount/coupon	
One year or less	The quarterly weighted average yield rate of 364-day Treasury Bills announced by Director to the finance company at the preceding quarter	plus 3.00 percentage points
Over one year- 3 years		plus 4.00 percentage points
Over 3 years		plus 6.50 percentage points

5.2 In the case where the annual rate of interest/discount/coupon which may be paid by a finance company on a debt instrument is floating basis, the maximum annual rate of interest/discount/coupon shall be based on the quarterly weighted average yield rate of 364-day Treasury Bills announced by

Director to the finance company at the preceding quarter, prior to the commencement of each interest/coupon period.

5.3 In the case where the annual rate of interest/discount /coupon which may be paid by a finance company on a debt instrument is fixed basis, the maximum annual rate of interest/discount /coupon shall be based on the quarterly weighted average yield rate of 364-day Treasury Bills announced by Director to the finance company at the preceding quarter, prior to the announcement date of the debt instrument to the public or discount date.

Quarterly
weighted
average
yield rate

6. 6.1 Director shall announce the quarterly weighted average yield rates of 91 day and 364-day Treasury Bills applicable for each quarter ending 31st March, 30th June, 30th September and 31st December.

6.2 The quarterly weighted average yield rates applicable to such interest/discount/coupon payment periods shall be notified by the finance company to the Colombo Stock Exchange and the Trustee prior to the commencement of each coupon payment period.

Reporting

7. Every finance company shall furnish details of the interest rates paid/discounts/coupon rates applied for time deposits, saving deposits, non-transferable certificates of deposit and debts instruments by such finance company in each month, on or before the 7th day of the following month as per the instructions given by the Director.

Definition

8. In this Direction,

8.1 "Time deposit" means any deposit accepted by a finance company with an agreement to repay after a specified period of time; and

8.2 "Debt instrument" mean, a bond, debenture, commercial paper, promissory note or any other debt instrument as may be determined by the Director.

8.3 "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

Revocation

9. The Finance Companies (Interest Rates) Direction, No.05 of 2013 is hereby revoked.