



**GOVERNING BOARD
CENTRAL BANK OF SRI LANKA**

23 June 2025

FINANCE BUSINESS ACT DIRECTIONS

No.01 of 2025

MAXIMUM INTEREST RATES ON DEPOSITS AND DEBT INSTRUMENTS

- 1. Legal provisions**

In terms of the powers conferred by Section 12(1) of the Finance Business Act, No.42 of 2011 read with Section 133(1) of the Central Bank of Sri Lanka Act, No.16 of 2023, the Central Bank of Sri Lanka (CBSL) hereby issues these directions on maximum interest rates on deposits and debt instruments applicable to all Finance Companies (FCs) licensed under the Finance Business Act, No. 42 of 2011.
- 2. Objectives of the directions**

These directions promote sustainable business practices in soliciting deposits and issuing debt instruments by providing a methodology for determining the maximum interest rates on deposits and debt instruments offered or paid by FCs.
- 3. Applicability**

These directions will be effective from 1 July 2025 and shall be applicable for existing and new savings deposits, new time deposits and debt instruments and at the renewal of time deposits and debt instruments.
- 4. Reference rates**
 - 4.1 FCs are allowed to decide the maximum interest rates that may be offered or paid by an FC on Sri Lankan Rupee (LKR) deposits and debt instruments based on the Weighted Average Yield Rate (WAYR) of the Treasury Bills (T-bills) or the Overnight Policy Rate (OPR).
 - 4.2 The maximum interest rates in respect of time deposits and other types of innovative deposits (such as recurring deposits) of tenure of one month and above, up to three years, and in respect of debt instruments will be reviewed quarterly, based on the simple average WAYR of the latest four primary auctions for T-bills in the immediately preceding quarter.
 - 4.3 The maximum interest rates in respect of savings deposits and other deposits of tenure less than one month or where the maturity of



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deposits is not specified, shall be based on OPR and to be reviewed quarterly by FCs. Accordingly, the reference rate of OPR for the quarter will be the OPR, as at the end of the immediately preceding quarter.

5. Maximum interest rates on deposits

5.1 The maximum annual nominal interest rates that may be offered or paid by an FC on LKR time deposits and other types of innovative products for which interest is paid at maturity shall not exceed the interest rates derived in accordance with Table 1 below:

Table 1: Maximum interest rates for deposits

Tenure of the Deposit	Maximum Interest Rate Per Annum
1 month and less than 3 months	91 days T-bills WAYR + 0.10%
3 months and less than 6 months	182 days T-bills WAYR + 0.25%
6 months and less than 1 year	364 days T-bills WAYR + 0.50%
1 year and less than 2 years	364 days T-bills WAYR + 2.00%
2 years and less than 3 years	364 days T-bills WAYR + 2.75%
3 years	364 days T-bills WAYR + 3.00%

5.2 Further, for LKR time deposits and other types of innovative products for which periodic interest payments are made, the Annual Effective Interest Rates (AER) that may be offered or paid by an FC during the tenure of the deposits shall not exceed the interest rates derived in accordance with Table 1 above.

5.3 The maximum AER that may be offered or paid by an FC on LKR savings deposits and other deposits of a tenure of less than one month or where the maturity of deposits is not specified, shall not exceed OPR.

5.4 Notwithstanding the provisions in Directions 5.1, 5.2 and 5.3 above, the maximum interest rates payable by an FC for savings deposits of



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children under the age of 18 years and for time deposits with a tenure of one year or more of senior citizens may be a maximum of 50 basis points (0.5%) higher than the rates given in Table 1 above.

6. Maximum interest rates on debt instruments

6.1 The maximum annual nominal interest rates that may be offered or paid by an FC on debt instruments for which interest is paid at maturity shall not exceed the interest rates derived in accordance with Table 2 below:

Table 2: Maximum interest rates for debt instruments

Tenure of the Debt Instrument	Maximum Interest Rate Per Annum
Less than 1 year	364 days T-bills WAYR + 0.50%
1 year and less than 2 years	364 days T-bills WAYR + 2.75%
2 years and less than 3 years	364 days T-bills WAYR + 3.25%
3 years	364 days T-bills WAYR + 3.50%

6.2 Further, for debt instruments for which periodic interest payments are made, AER that may be offered or paid by an FC during the tenure of the debt instruments shall not exceed the interest rates derived in accordance with Table 2 above.

7. Regulatory reporting

FCs shall submit periodic returns on the interest rates paid through the Financial Information Network Reporting System in terms of the Finance Business Act (Periodic Reporting Requirements) Direction, No.01 of 2024, or as amended.

8. Definitions

8.1 The following definitions shall be applicable for the purposes of these directions:

- a) “Annual effective interest rate” means the amount of interest expressed as a percentage, a deposit product/ debt instrument would earn in a year at a stated interest rate after taking into account the effects of compounding of interest.



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- b) “Annual nominal interest rate” means the interest rate stated in the agreement for a deposit product/ debt instrument without compounding of interest.
- c) “Debt instruments” means a bond, debenture, asset backed security, commercial paper, promissory note or any other instrument used for borrowing as may be determined by the Director, Department of Supervision of Non-Bank Financial Institutions.
- d) “Senior citizens” means persons who are over 60 years of age at the time of acceptance or renewal of a deposit.
- e) “Time deposit” means any deposit accepted by an FC with an agreement to repay on/after a specified period of time.

**9. Revocation of
previous
direction/
circular**

Finance Business Act (Maximum Interest Rates on Deposits and Debt Instruments) Direction No.01 of 2019 and the letter dated 18 April 2022 on the subject ‘Amendments to the Maximum Interest Rates on Deposits and Debt Instruments by Licensed Finance Companies, are revoked effective from 1 July 2025.


Dr. P Nandalal Weerasinghe
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Governor of the Central Bank of Sri Lanka*