



Ref: 24/06/002/0002/002

18 April 2022

All Chief Executive Officers of Licensed Finance Companies

Dear Sir/Madam

**Amendments to the Maximum Interest Rates on Deposits and Debt Instruments by Licensed Finance Companies (LFCs)**

This is to inform you that the Monetary Board of the Central Bank of Sri Lanka at its meeting held on 12.04.2022 has granted approval to the followings.

1. Revoke the Finance Business Act Direction No.04 of 2020 on Amendments to the Maximum Interest Rates on Deposits and Debt Instruments, and withdraw the letter issued to LFCs on 31.03.2022,
2. Revoke Section 2 of the Finance Business Act Direction No.01 of 2019 on Maximum Interest Rates on Deposits and Debt Instruments on 'Applicable Standing Deposit Facility Rate (SDFR) and Yield Rate', and
3. Allow LFCs to decide the maximum interest rates on deposits and debt instruments based on,
  - (a) the prevailing SDFR, and
  - (b) the moving average of Weighted Average Yield Rate (WAYR) of the last four T-bills primary auctions as given in Table 1 and Table 2 below<sup>1</sup>. The LFCs are allowed at their discretion to revise the maximum interest rates on deposits and debt instruments on the following day of the T-bills auction:

**Table 01: Maximum Interest Rates at Maturity for Deposits of LFCs**

Tenure of Deposit	Maximum Interest Rate Per Annum
Savings and other deposits of a tenure of less than 01 month or maturity is not specified	Prevailing SDFR
<b>Term Deposits</b>	
01 month and less than 03 months	91 days T-bills WAYR
03 months and less than 06 months	182 days T-bills WAYR + 0.25%
06 months and less than 01 year	364 days T-bills WAYR + 0.50%
01 year and less than 02 years	364 days T-bills WAYR + 2.00%

<sup>1</sup> The maximum interest rates on deposits and debt instruments applicable as at 18.04.2022 are given in Annex I to this letter as a guidance for LFCs to calculate the maximum interest rates on deposits and debt instruments in the future.

02 years and less than 03 years	364 days T-bills WAYR + 2.75%
03 years and less than 05 years	364 days T-bills WAYR + 3.25%
05 years	364 days T-bills WAYR + 4.25%

**Table 02: Maximum Interest Rates at Maturity  
for Debt Instruments of LFCs**

<b>Tenure of Debt Instruments</b>	<b>Maximum Interest Rate Per Annum</b>
Less than 01 year	364 days T-bills WAYR + 0.50%
01 year and less than 02 years	364 days T-bills WAYR + 2.75%
02 years and less than 03 years	364 days T-bills WAYR + 3.25%
03 years and less than 05 years	364 days T-bills WAYR + 3.75%
05 years	364 days T-bills WAYR + 4.75%

However, LFCs are required to be vigilant on the maximum interest rates offered to the depositors by adopting proper assets and liabilities management practices.

Section 1.1(i), Section 1.1(ii), and Section 1.2 of the Finance Business Act Direction No.01 of 2019 on Maximum Interest Rates on Deposits and Debt Instruments are hereby revoked.

Yours faithfully,



**(Mrs.) R M C H K Jayasinghe**  
**Director**

Encl: Annex I

**Calculating the maximum interest rates applicable as at 18.04.2022 based on the last four T-bills primary auctions**

**Table 1: Calculating the moving average WAYR**

<b>Last four T-bills Primary Auctions</b>	<b>11-Apr-22</b>	<b>06-Apr-22</b>	<b>30-Mar-22</b>	<b>23-Mar-22</b>	<b>Moving Average WAYR</b>
<b>91 days T-bills WAYR</b>	19.71	14.12	12.92	12.10	<b>14.71</b>
<b>182 days T-bills WAYR</b>	22.73	15.36	12.25	11.98	<b>15.58</b>
<b>364 days T-bills WAYR</b>	23.36	15.69	12.28	12.00	<b>15.83</b>

**Table 2: Calculating the maximum interest rates on term deposits**

<b>Tenure of Term Deposits</b>	<b>Maximum Interest Rate Per annum</b>	<b>Currently Applicable Maximum Interest Rate (%)</b>
01 month and less than 03 months	91 days T-bills WAYR	14.71
03 months and less than 06 months	182 days T-bills WAYR + 0.25%	$15.58 + 0.25 = 15.83$
06 months and less than 01 year	364 days T-bills WAYR + 0.50%	$15.83 + 0.50 = 16.33$
01 year and less than 02 years	364 days T-bills WAYR + 2.00%	$15.83 + 2.00 = 17.83$
02 years and less than 03 years	364 days T-bills WAYR + 2.75%	$15.83 + 2.75 = 18.58$
03 years and less than 05 years	364 days T-bills WAYR + 3.25%	$15.83 + 3.25 = 19.08$
05 years	364 days T-bills WAYR + 4.25%	$15.83 + 4.25 = 20.08$

**Table 3: Calculating the maximum interest rates on debt instruments**

<b>Tenure of Debt Instruments</b>	<b>Maximum Interest Rate Per annum</b>	<b>Currently Applicable Maximum Interest Rate (%)</b>
Less than 01 year	364 days T-bills WAYR + 0.50%	$15.83 + 0.50 = 16.33$
01 year and less than 02 years	364 days T-bills WAYR + 2.75%	$15.83 + 2.75 = 18.58$
02 years and less than 03 years	364 days T-bills WAYR + 3.25%	$15.83 + 3.25 = 19.08$
03 years and less than 05 years	364 days T-bills WAYR + 3.75%	$15.83 + 3.75 = 19.58$
05 years	364 days T-bills WAYR + 4.75%	$15.83 + 4.75 = 20.58$