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CENTRAL BANK OF SRI LANKA

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Press Release

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The Central Bank enters into a Bilateral Currency Swap Agreement with the Reserve Bank of India

The Central Bank of Sri Lanka (CBSL) and the Reserve Bank of India (RBI) have entered into a currency swap agreement on 24th July 2020 under the Framework on Currency Swap Arrangement for South Asian Association for Regional Cooperation (SAARC) countries for 2019 - 2022. This would provide short-term financing to the CBSL to meet the country's balance of payment requirements.

The intention of the CBSL in entering into this Swap agreement was to be able to maintain a sufficient short-term foreign exchange liquidity while preserving the foreign currency reserve position of the country intact. The challenging external economic environment of Sri Lanka today is the result largely of this Covid-19 pandemic. This Swap agreement has the approval of the Cabinet of Ministers, received on the recommendation of the Monetary Board of the Central Bank of Sri Lanka.

Under the Swap agreement, USD 400 million will be received by Sri Lanka, initially for a period of 3 months and will be rolled over twice each with a 3 months tenor, subject to agreement on terms and conditions of the existing SAARC Framework.

Senior Deputy Governor of the Central Bank of Sri Lanka, Dr. P. Nandalal Weerasinghe signed the agreement on behalf of the Central Bank of Sri Lanka and Mr. Ajay Kumar, Regional Director of the Reserve Bank of India signed it on behalf of the Reserve Bank of India.

Further discussions are ongoing to secure an additional USD 1 billion, under a Special Bilateral Swap Agreement with the Reserve Bank of India.