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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Communications Department

30, Janadhipathi Mawatha, Colombo 01, Sri Lanka.

Tel : 2477424, 2477423, 2477311

Fax: 2346257, 2477739

E-mail: dcommunications@cbsl.lk,

communications@cbsl.lk Web: www.cbsl.gov.lk

Press Release

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The Central Bank of Sri Lanka Further Reduces the Statutory Reserve Ratio

The Monetary Board of the Central Bank of Sri Lanka, at its meeting held on 16 June 2020, decided to reduce the Statutory Reserve Ratio (SRR) applicable on all rupee deposit liabilities of licensed commercial banks (LCBs) by 200 basis points to 2.00 per cent, with effect from the reserve maintenance period that commenced on 16 June 2020. This reduction in the SRR injects around Rs. 115 billion of additional liquidity to the domestic money market, enabling the financial system to expedite credit flows to the economy, while reducing the cost of funds of LCBs.

With today's decision, the Central Bank has reduced the SRR by a total of 300 basis points thus far during 2020, in addition to several other easing measures implemented already, including the reduction of policy interest rates by a total of 150 basis points and the reduction of the Bank Rate by 550 basis points.

The financial sector is expected to pass the benefit of the high level of liquidity and the reduced cost of funds to the economy without delay, by increasing lending to businesses and households at low cost. The Monetary Board will continue to monitor economic and financial market developments and will take further policy and regulatory measures to support a sustained revival of economic activity in the period ahead.