

# PRESS RELEASE

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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

**Issued By** Domestic Operations Department

**Date** 08.02.2024

## **Relaxation of Restrictions Imposed on the Standing Facilities**

The Central Bank of Sri Lanka introduced restrictions on the usage of the Standing Facilities by the Licensed Commercial Banks (LCBs) under the Open Market Operations (OMOs), with effect from 16 January 2023. Accordingly, access to the Standing Deposit Facility (SDF) was limited to a maximum of five (05) times per calendar month, while access to the Standing Lending Facility (SLF) was limited to 90 per cent of the Statutory Reserve Requirement (SRR) of each LCB, at any given day. These measures were imposed with the intention of reducing the overdependence of LCBs on the overnight facilities offered by the Central Bank, supporting the reactivation of the domestic money market, particularly the call money market, and inducing LCBs to introduce internal corrective measures.

The Central Bank observes that these measures have yielded positive outcomes by way of reactivating the domestic money market and curtailing excessive competition for deposit mobilisation among financial institutions. These measures were also instrumental in inducing a moderation in the market interest rate structure in line with the monetary policy stance, while preserving stability of financial institutions and the financial system.

After carefully reviewing the developments in the domestic money market, as well as the behaviour of LCBs in terms of market participation along with the improvements in liquidity, the Monetary Policy Board, at its meeting held on 07 February 2024, decided to relax the restrictions imposed on the Standing Facilities to LCBs under OMOs. Accordingly, with effect from the reserve maintenance period commencing 16 February 2024, the restriction on the SLF will be removed and the restriction on SDF will be relaxed from five times (05) to ten times (10) during a calendar month.

The relaxation of the restrictions on the Standing Facilities is expected to accelerate the downward adjustments in market interest rates as envisaged under the overall monetary policy direction of the Central Bank.