

Featured Box Article

Major Economic Policy Measures Implemented by or Related to the Central Bank of Sri Lanka¹

Central Banking

15 September 2023 Enactment of the Central Bank of Sri Lanka Act, No. 16 of 2023, to provide for the establishment of the Central Bank of Sri Lanka; for the repeal of the Monetary Law Act (Chapter 422); and to provide for matters connected therewith or incidental thereto.

03 October 2023 The Monetary Policy Framework Agreement between the Minister of Finance and the Central Bank, gazetted on October 5, 2023, sets an inflation target for the Central Bank, requiring it to maintain the Colombo Consumer Price Index (CCPI) based quarterly headline inflation rate at 5 per cent.

Monetary Policy

02 January 2023 Effective 16 January 2023, the availability of the Standing Deposit Facility (SDF) to a particular Licensed Commercial Bank (LCB) was limited to a maximum of five (05) times per calendar month, while the availability of the Standing Lending Facility (SLF) to a particular LCB was capped at 90 per cent of the Statutory Reserve Ratio (SRR) of such LCB at any given day.

03 March 2023 Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) were increased by 100 basis points to 15.50 per cent and 16.50 per cent, respectively.

01 June 2023 SDFR and SLFR were reduced by 250 basis points to 13.00 per cent and 14.00 per cent, respectively.

06 July 2023 SDFR and SLFR were reduced by 200 basis points to 11.00 per cent and 12.00 per cent, respectively.

09 August 2023 The Statutory Reserve Ratio (SRR) was reduced by 2.00 percentage points to 2.00 per cent to be effective from the reserve maintenance period commencing 16 August 2023.

05 October 2023 SDFR and SLFR were reduced by 100 basis points to 10.00 per cent and 11.00 per cent, respectively.

24 November 2023 SDFR and SLFR were reduced by 100 basis points to 9.00 per cent and 10.00 per cent, respectively.

09 February 2024 Effective 16 February 2024, the restriction on SLF was removed and the restriction on SDF was relaxed from five times (05) to ten times (10) during a calendar month.

26 March 2024 SDFR and SLFR were reduced by 50 basis points to 8.50 per cent and 9.50 per cent, respectively.

Effective 01 April 2024, the restriction on SDF was removed.

Special Credit Schemes

15 September 2023 The Central Bank discontinued operations of the Saubagya Loan Scheme and Domestic Agriculture Development Loan Scheme, with the enactment of the Central Bank Act No 16 of 2023.

03 January 2024 The Governing Board of the Central Bank took a policy decision not to implement new Government and Donor funded loan schemes in future.

Payments and Settlements

01 February 2023 LankaPay (Pvt) Ltd (LPPL) linked with UnionPay International Co., Ltd (UPI), China and NPCI International Payments Ltd (NIPL), enabling Chinese and Indian tourists to use their payment wallets via LANKAQR for transactions in Sri Lanka. Transactions for Chinese tourists were enabled since February 2023 and transactions for Indian tourists were initiated from 12 February 2024.

08 May 2023 A Merchant Discount Rate (MDR) of 1.8 per cent was approved for payments made through LANKAQR using foreign payment apps. MDR of 0.5 per cent remains for domestic LANKAQR transactions.

31 August 2023 A trilingual web form to collect information from the public was developed on unsafe, unsound or unfair practices relating to payment practices or services.

29 December 2023 The Central Bank mandated Licensed Banks (LBs) to participate in various digital transaction initiatives including LankaPay Online Payment Platform (LPOPP), Direct Debit facility, Shared Know-Your-Customer

¹ Includes major economic policy measures implemented since 01 January 2023 until 28 March 2024 and the policy measures that are to be implemented in the near future.

A detailed version of policy measures implemented by or related to the Central Bank of Sri Lanka and major fiscal policy measures implemented since 01 January 2023 until 28 March 2024 are available online

Path - Main Menu → Publications → Economic and Financial Reports → Annual Economic Review → Annual Economic Review 2023 → Major Economic Policy Measures

Link - <https://www.cbsl.gov.lk/en/publications/economic-and-financial-reports/annual-economic-review/annual-economic-review-2023/major-economic-policy-measures>



	(KYC) facility, and Government Digital Payment Platform (GDPP), while emphasising priorities such as enabling real-time notifications for transactions, promoting digital transactions in remote areas, ensuring immediate updating of credit card settlements via digital channels, and mandating the reference field for digital transactions, with Licensed Financial Acquirers instructed not to pass MDR to customers.
29 December 2023	Promoting foreign remittances together with digital transactions via e-money wallets, the enhanced and basic e-money wallet limits were raised from Rs. 50,000.00 and Rs. 10,000.00 to Rs. 150,000.00 and Rs. 20,000.00, respectively, with effect from 01 January 2024.
17 January 2024	The Central Bank mandated mobile payment applications using JustPay to request a One-Time-Password (OTP) from the linked financial institution for transactions equal to or exceeding Rs. 10,000/- starting from April 1, 2024. JustPay facilitates users to link accounts from any financial institution and make payments by pulling funds from linked accounts through the mobile application.
01 February 2024	Approval was granted for LankaPay (Pvt) Ltd (LPPL) to join with the Nepal Clearing House Ltd for the acceptance of LANKAQR transactions made by Nepali tourists through NEPALPAY QR mobile applications.

Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT)

03 March 2023	Circular No. 01 of 2023 was issued on calling for due vigilance on compliance lapses to all LBs and LFCs.
07 June 2023	Circular No. 02 of 2023 was issued on institutional compliance of real estate sector under the Financial Transactions Reporting Act, No. 06 of 2006 to Real Estate Institutions.
13 June 2023	Guideline No. 01 of 2023 was issued on reporting domestic Electronic Fund Transfer (EFT) threshold transactions to the goAML System of the Financial Intelligence Unit.
07 August 2023	Approval of the Cabinet of Ministers was received for adoption of the National Policy on Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) of Sri Lanka for 2023-2028.
01 September 2023	Guideline No. 02 of 2023 was issued on AML/CFT compliance for the Attorneys-at-Law and Notaries.

Foreign Exchange Management and International Operations

26 January 2023	Revocation of Operating Instructions issued on "Inward Investments Swaps - IIS Scheme". Issuance of instructions to LBs on participation at the USD/LKR buy-sell and sell-buy, foreign exchange swaps auctions of the Central Bank.
24 February 2023	Reduction of weekly mandatory foreign exchange sales to the Central Bank by LBs on account of converted inward workers' remittances, converted service sector related exports proceeds/receipts, and the residual value of mandatorily converted export proceeds of goods from 25 per cent to 15 per cent, effective from 27 February 2023.
27 February 2023	Directions No. 01 of 2023 were issued permitting Authorised Dealers (ADs) to open and maintain Special Foreign Currency Accounts (SFCAs) - Investee
03 March 2023	Revocation of the Operating Instructions issued by the Central Bank to LBs on "Managing Intraday Volatility of the Exchange Rate", "Incentive Scheme on Inward Worker Remittances" and "Repatriation of Export Proceeds into Sri Lanka" - with effect from 07 March 2023.
28 June 2023	Order under Section 22 of the Foreign Exchange Act No.12 of 2017 (FEA), published in the Extraordinary Gazette Notifications No. 2338/40 dated 28 June 2023 to suspend/limit outward remittances with respect to selected capital transactions for six months commencing from the date of the order.
04 December 2023	Directions No. 02 of 2023 were issued on Business Foreign Currency Accounts (BFCAs), including enterprises permitted to sell goods/products to domestic market in terms of the Finance Act - Commercial Hub Regulations No. 1 of 2019. Directions No. 03 of 2023 were issued on Accommodations to BFCA Holders, permitting the payments to the enterprises engaged in business activities in Sri Lanka which are permitted to sell goods/products to the domestic market in terms of the Finance Act - Commercial Hub Regulations No.01 of 2019.
20 December 2023	Order under Section 22 of the FEA, published in the Extraordinary Gazette Notifications No. 2363/26 dated 20 December 2023, progressively easing some of the suspensions/ limitations relating to outward capital and current transactions imposed by the Orders issued earlier for six months commencing from the date of the Order.
01 January 2024	Directions No. 01 of 2024 were issued on Special Foreign Currency Accounts - Investee to facilitate current transactions, by extending the validity of the same until 30 June 2024.

Debt Management

13 February 2023	The offering of Sri Lanka Development Bonds (SLDBs) under the Direct Issuance Arrangement was suspended.
16 March 2023	"Registered Stock and Securities (Disclosure of Information) Regulations, No.1 of 2023" was issued.

04 April 2023	In instances where the Monetary Policy announcement of the Central Bank is due during the normal Phase II window, Phase II of the respective Treasury bill auction is executed for a period of one hour immediately post a Treasury bill auction or close of business of the auction day whichever falls later.
12 May 2023	A resolution to increase the limit on issuance of Treasury bills from Rs. 5,000.0 billion to Rs. 6,000.0 billion in terms of the Local Treasury Bill Ordinance No. 08 of 1923 was approved by Parliament.
19 June 2023	The new web-based Treasury bill issuance system was introduced with effect from 21 June 2023.
04 July 2023	The Ministry of Finance (MOF) announced a policy on Sri Lanka's Domestic Debt Optimisation (DDO), consistent with the Extended Fund Facility, to contribute to meeting the Debt Sustainability targets agreed upon with the International Monetary Fund.
21 August 2023	The Appropriation (Amendment) Bill to amend the maximum borrowing limit of the Government from Rs. 4,979.0 billion as set out in Section 2(1)(b) of the Appropriation Act, No. 43 of 2022, to Rs. 13,979.0 billion, was approved by the Parliament.
14 September 2023	As per the Exchange Memorandum for Treasury bonds issued under the DDO programme, the settlement of the Treasury bonds exchange was carried out. Accepted offers were converted into new Treasury bonds amounting to Rs. 3,204.5 billion which had longer maturities. Furthermore, an accrued interest of Rs. 110.9 billion was paid to investors for their accepted Treasury bond amounts.
20 September 2023	The new web-based system for Direct Issuance Window for Treasury bonds was introduced with effect from 25 September 2023.
21 September 2023	Outstanding credits (the "provisional advances") of Rs. 344.7 billion from the Central Bank to the Government and outstanding Treasury bills amounting to Rs. 2,368.4 billion of the Government purchased by the Central Bank in the primary market were converted into ten (10) step-down fixed coupon new Treasury bonds denominated in LKR amounts to Rs. 2,492.3 billion and twelve (12) existing Treasury bills amounts to Rs. 220.8 billion and settled on 21 September 2023 in terms of the section 129 (2) of the CBA and the Appropriation (Amendment) Act, No. 12 of 2023.
03 November 2023	The Foreign Currency Banking Unit (FCBU) Loan exchange under the DDO programme was executed for People's Bank in terms of the Memorandum of Understanding (MOU) for restructuring of the FCBU loan balance of People's Bank signed on 18 August 2023. The loan amount of Rs.27.7 billion was allocated to five existing Treasury bonds that were issued under DDO.
11 March 2024	The amount offered at Phase II of Treasury bill auctions was reduced to the aggregate auction shortfall and 10 per cent of the aggregate amount offered or Rs. 5.0 bn whichever is higher in terms of the amended Directions issued on 07 March 2024 which were in force effective from 11 March 2024. The amount offered at Direct Issuance Window (DIW) of Treasury bond auctions was reduced to 10 per cent of the amount offered from ISINs which are fully accepted at Phase I in terms of the amended Directions issued on 07 March 2024 which were in force effective from 11 March 2024.

Financial Sector

Licensed Banks

02 January 2023	A Circular was issued with effect from 03 January 2023 adjusting the Bank Rate in line with the latest available Average Weighted New Deposit Rate (AWNDR) published by the Central Bank with a margin of +300 basis points.
31 January 2023	Banking Act Determination was issued determining qualifying non-financial corporate debt securities and qualifying non-financial common equity shares as liquid assets in the computation of the Statutory Liquid Asset Ratio of LCBs and Licensed Specialised Banks (Licensed Banks - LBs), given that such instruments shall satisfy the conditions specified in the Banking Act Directions on the Liquidity Coverage Ratio under Basel III liquidity standards.
02 February 2023	Banking Act Directions were issued restricting discretionary payments of LBs considering the prevailing macroeconomic conditions and the importance of maintaining appropriate level of liquidity and capital to ensure sustainability in LBs.
16 February 2023	In addition to the existing list of HS Codes covered by the Order dated 19 May 2022, an Order was issued to all LCBs on the requirement of maintaining a 100 per cent Cash Margin Deposit Requirement against Letters of Credit for newly added 64 HS Codes.
17 February 2023	Amendment to the Banking Act Directions No. 03 of 2022 on Margin Requirements Against Imports was issued, extending the applicability of the cited Directions to 64 new HS codes.
07 March 2023	LBs were requested to provide appropriate concessions to affected borrowers on a case-by-case basis with a view to encouraging Micro, Small and Medium Enterprises (MSMEs) and individuals with a potential to revive their businesses/income streams.

21 April 2023	A circular was issued to LBs informing to discontinue the recognition of ICRA Lanka Ltd as an eligible/acceptable credit rating agency for regulatory purposes pertaining to LBs.
25 April 2023	Amendments to the Banking Act Directions No. 01 of 2023 on Restrictions on Discretionary Payments of LBs were issued. Accordingly, LBs were required to refrain from increasing management allowances of Chief Executive Officers (CEO), Key Management Personnel (KMP) and payments to the Board of Directors, without meeting the cited requirements.
17 May 2023	A Circular was issued to withdraw the minimum cash margin deposit requirements against Letters of Credit, imposed on 19 May 2022 and 16 February 2023.
18 May 2023	Banking Act Directions were issued, revoking the Banking Act Directions No. 03 of 2022 and the Banking Act Directions No. 02 of 2023 on Margin Requirements Against Imports.
25 August 2023	A Monetary Law Act Order was issued on the interest rates applicable on Sri Lankan Rupee (LKR) denominated lending products of LBs, imposing maximum interest rates on certain lending products and requiring LBs to reduce the interest rates of all other new and existing rupee denominated lending products by specific percentages on target dates.
15 November 2023	The Banking (Special Provisions) Act No. 17 of 2023 (BSPA) was certified by the Parliament on 14 September 2023 and by order published in the Gazette No. 2358/46, the provisions of the aforesaid Act came into operation effective from 15 November 2023. The Banking (Special Provisions) Act Directions No. 01 of 2023 was issued to Member Institutions of the Sri Lanka Deposit Insurance Scheme.
23 November 2023	A Banking Act Determination on annual license fee was issued to LBs informing the new license fee structure applicable for the years 2024 and 2025.
27 November 2023	Determinations made under the BSPA were issued to the general public under the Gazette Notification No. 2360/02.
08 December 2023	Amendments to the Banking Act Directions No. 16 of 2021 on Regulatory Framework on Technology Risk Management and Resilience for LBs were issued <i>inter alia</i> extending the general deadline and certain specific timelines, considering the extraordinary circumstances prevailed during the recent past.
29 February 2024	Amendments to the Circular No.08 of 2019 on “List of Qualified Auditors to Audit the Accounts of Licensed Commercial Banks and Licensed Specialised Banks” were issued by replacing Pricewaterhouse Coopers and SJMS Associates as Deloitte Partners and Deloitte Associates, respectively with the changes of names of aforesaid audit firms.
25 March 2024	Banking Act Directions were issued on “Large Exposures of Licensed Banks”, to be implemented with effect from 01 January 2026, with a view to mitigating the credit concentration risks, ensuring safety and soundness of the banking sector.
28 March 2024	A circular was issued on “Guidelines for the Establishment of Business Revival Units in Licensed Banks”, with a view to facilitating the sustainable revival of businesses affected by the extraordinary macroeconomic circumstances and to improve the asset quality of LBs.
Forthcoming	Banking (Amendment) Act Revised Directions on Corporate Governance

Licensed Finance Companies (LFCs), Specialised Leasing Company (SLC), Licensed Microfinance Companies (LMFCs), and Primary Dealer Companies (PDCs)

05 January 2023	The Monetary Board of the Central Bank, in terms of the Regulations made under the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance, extended the suspension of Perpetual Treasuries Limited (PTL) from carrying on the business and activities of a Primary Dealer for a further period of six months with effect from 05 January 2023, in order to continue with the investigations being conducted by the Central Bank.
18 January 2023	The registration of Swarnamahala Financial Services PLC as a registered finance leasing establishment was cancelled in terms of Section 9.1. (h) of the Finance Leasing Act, No.56 of 2000 (FLA).
31 January 2023	Subsequent to the amalgamation of the LOLC Development Finance PLC (LDFP) with LOLC Finance PLC (LOFP) as a part of the Masterplan for Consolidation of Non-Bank Financial Institutions (the Masterplan), the Monetary Board of the Central Bank cancelled the licence issued to LDFP to carry on finance business under the Finance Business Act, No.42 of 2011 (FBA). Further, the registration of LDFP issued under the FLA was cancelled by the Director, Department of Supervision of Non-Bank Financial Institutions (D/DSNBFI). Guideline on declaration of dividends or repatriation of profits was issued to LFCs as a measure to strengthen resilience and capacity of LFCs to absorb economic shocks that could arise in the time of uncertainty and continue to support credit needs of customers, by maintaining sufficient capital.

02 February 2023	LFCs were informed that ICRA Lanka Ltd. was removed as an acceptable credit rating agency for specified purposes.
08 February 2023	The Commercial High Court of Colombo ordered to appoint a liquidator to The Standard Credit Finance Limited whose license cancelled by the Monetary Board on 25 July 2018 under FBA subject to supervision of court.
03 March 2023	LFCs and SLC were requested to provide appropriate concessions to micro, small and medium enterprises and individuals affected by the present macroeconomic conditions.
21 March 2023	The Commercial High Court of Colombo ordered to appoint a liquidator to The Finance Company Ltd of which licence cancelled by the Monetary Board on 22 May 2020 under FBA subject to supervision of court.
25 April 2023	Notice of cancellation of the finance business licence of Bimputh Finance PLC (BFP) was issued with effect from 25 April 2023 as directed by the Monetary Board of the Central Bank under section 37 (1) of FBA.
09 June 2023	The Commercial High Court of Colombo ordered to appoint a liquidator to Central Investments and Finance Ltd whose licence cancelled by the Monetary Board on 05 March 2018 under FBA subject to supervision of court.
05 July 2023	The Monetary Board of the Central Bank, in terms of the Regulations made under the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance, extended the suspension of PTL from carrying on the business and activities of a Primary Dealer for a further period of six months with effect from 05 July 2023, in order to continue with the investigations being conducted by the Central Bank.
31 July 2023	As a part of the Masterplan, Kanrich Finance Ltd was merged with Nation Lanka Finance PLC (NLFP) with effect from 31 July 2023 and the remaining entity is NLFP.
01 September 2023	Finance business licence issued to BFP was cancelled with effect from 01 September 2023 as directed by the Monetary Board of the Central Bank due to no satisfactory progress made by BFP to revive the critical condition faced by BFP.
15 December 2023	The Commercial High Court of Colombo ordered to appoint a liquidator to ETI Finance Ltd under FBA subject to supervision of court.
05 January 2024	The Governing Board of the Central Bank, in terms of the Regulations made under the Registered Stock and Securities Ordinance and the Local Treasury Bills Ordinance, extended the suspension of PTL from carrying on the business and activities of a Primary Dealer for a further period of six months with effect from 05 January 2024, in order to continue with the investigations being conducted by the Central Bank.
13 February 2024	A Direction was issued on periodic reporting requirements with the objective to obtain timely, accurate, consistent and complete information of LFCs to ascertain the manner in which the business and corporate affairs of LFCs are being conducted or for any other specified purpose.
Forthcoming	Implementing Phase II of the Masterplan ensuring long term sustainability of small to medium scale LFCs in the medium term. Amending the existing regulatory framework in line with the current market developments, including amendments to the FBA and FLA. Introducing rules and regulations to improve stability of the non-banking sector while strengthening the supervisory review process.

Other Financial Sector Related Policy Measures

08 August 2023	Regulations on Financial Consumer Protection were issued under Section 10 (c) of Monetary Law Act, No. 58 of 1949 (MLA), which are applicable to Financial Service Providers (FSPs) regulated by the Central Bank to promote fair, transparent, and ethical business conduct of FSPs and provide the basis for the Central Bank to carry out market conduct supervision and enforcement.
31 January 2024 01 February 2024 06 February 2024	Loan Agreements were signed between the International Development Association (IDA) which is a member of the World Bank Group, MOF and the Central Bank under the Financial Sector Safety Net Strengthening Project of the World Bank.