



**MONETARY BOARD  
CENTRAL BANK OF SRI LANKA**

**25 August 2023**

**MONETARY LAW ACT ORDER**

**No. 01 of 2023**

**MAXIMUM INTEREST RATES ON RUPEE DENOMINATED LENDING PRODUCTS**

Issued under Section 104(1)(b) of the Monetary Law Act, No. 58 of 1949, as amended.

The Central Bank of Sri Lanka (CBSL) has adopted several policy measures in the recent past such as reduction of policy interest rates and the statutory reserve ratio, thereby facilitating a reduction in market interest rates. Despite the considerable easing of monetary conditions, interest rates on lending products of certain financial institutions continue to remain excessive and are not in line with the current monetary policy stance, posing challenges for individuals and businesses. Accordingly, the Monetary Board hereby issues an Order on the interest rates applicable on Sri Lanka Rupee (LKR) denominated lending products of licensed commercial banks (LCBs) and licensed specialised banks (LSBs), hereinafter referred to as licensed banks.

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| 1. Empowerment under the Monetary Law Act             | 1.1 | In terms of Section 104(1)(b) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which licensed banks may charge for different types of loans or other credit operations.   |
| 2. Interest rates on LKR denominated lending products | 2.1 | Every licensed bank shall reduce the following product-wise lending rates at least to the levels outlined herein, with immediate effect: <ul style="list-style-type: none"><li>(i) Interest rates on pawning facilities to 18 per cent per annum;</li><li>(ii) Interest rates on pre-arranged temporary overdrafts to 23 per cent per annum; and,</li><li>(iii) Interest rates on credit card advances to 28 per cent per annum commencing the next billing cycle.</li></ul> |



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- 2.2 Every licensed bank shall reduce the annual nominal interest rates applicable for all new and existing LKR denominated lending products, excluding credit facilities mentioned in Order 2.1 above and any other categories of lending products that may hereafter be determined by the Monetary Board, by at least 250 basis points by 31.10.2023 and further 100 basis points by 31.12.2023 in comparison to the interest rates that prevailed as at 31.07.2023.
- 2.3 However, if the annual nominal interest rate applicable to any LKR denominated lending products as at the date of this Order or anytime thereafter is 13.5 per cent or lower, it shall not be mandatory to give effect to the reduction required under Order 2.2 above. Further, in cases where the applicable annual nominal interest rate as at the date of this Order or anytime thereafter is 13.5 per cent or less, the licensed bank shall not increase the interest rates of such lending products from the level maintained as at the date of this Order.
- 2.4 Every licensed bank shall reduce the penal interest rates charged on all lending products, including credit facilities already granted, to a level not exceeding 200 basis points per annum, for the amount in excess of an approved limit or in arrears, during the overdue period, with immediate effect.
3. Monitoring
- 3.1 All licensed banks shall ensure the accuracy of interest rate data submitted to CBSL and maintain internal documented records electronically or manually, in relation to the reductions in interest rates in respect of each loan product to which these Orders apply.



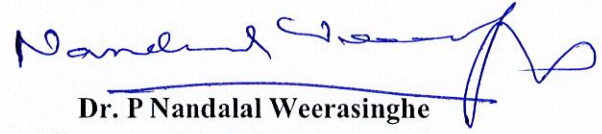
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- 3.2 Compliance with the requirements of these Orders will also be monitored through the Average Weighted Lending Rate (AWLR) of each licensed commercial bank.
4. Implementation
- 4.1 These Orders shall be effective from the date of the Order.

  
**Dr. P Nandalal Weerasinghe**  
*Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka*