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Press Release

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Meeting of Targets on Average Weighted Prime Lending Rate (AWPR) for end 2019 in line with the Monetary Law Act Order No. 02 of 2019

The Monetary Law Act Order No. 02 of 2019 on “Enhancing Efficiency of the Transmission of Recent Policy Decisions to Rupee Denominated Market Lending Rates” required, *inter alia*, every licensed commercial bank (LCB) to reduce their weekly Average Weighted Prime Lending Rate (AWPR)¹ by at least 250 basis points by 27 December 2019, compared to their AWPR published by the Central Bank of Sri Lanka as at 26 April 2019 in the Weekly Economic Indicators publication. This shall not apply to LCBs, whose AWPR reaches or falls below 9.50 per cent per annum as at the date of this Order or anytime thereafter.

The Central Bank observes that several LCBs have complied with the above Order, and in particular, some LCBs have reduced their AWPR sharply during the week ending 27 December 2019 from the previous week ending 20 December 2019 to meet this regulatory requirement. Accordingly, the overall weekly AWPR has declined by 230 basis points from 12.24 per cent as at 26 April 2019 to 9.94 per cent as at 27 December 2019. This is the first time since 29 April 2016 that AWPR has declined to single digit levels.

¹ The weekly AWPR is the weighted average rate of interest rates applicable on short term loans and advances granted by commercial banks to their prime customers during a particular week.

As per the Order, any LCB shall not increase its AWPR, from the reduced level, and it is expected that market lending rates, particularly those linked to AWPR will continue to decline in the period ahead, with regular repricing.

Nevertheless, it is also observed that People's Bank, Commercial Bank of Ceylon PLC, Indian Overseas Bank, MCB Bank Ltd, Public Bank Berhad, Standard Chartered Bank, Amana Bank PLC and Axis Bank Ltd² have failed to comply with the Monetary Law Act Order No. 02 of 2019. The CBSL intends to take appropriate measures in relation to these banks, as well as those licensed banks that have not met with the other provisions of the Order, to ensure that the general public continues to benefit from an efficient transmission of recent policy decisions through the financial system.

Weekly AWPR - Bankwise Rates							
Bank	26-04-2019 (% p.a.)	27-09-2019 (% p.a.)	01-11-2019 (% p.a.)	20-12-2019 (% p.a.)	27-12-2019 (% p.a.)	Basis point change since 26-04-2019	Shortfall (basis points)
Bank of Ceylon	12.88	11.56	10.97	10.39	10.24	-264	
People's Bank	12.49	10.60	10.36	10.50	10.15	-234	16
Hatton National Bank	12.27	10.70	10.49	10.26	9.68	-259	
Commercial Bank of Ceylon PLC	12.07	10.42	10.12	9.84	9.87	-221	29
Sampath Bank PLC	12.95	11.07	10.51	11.43	10.44	-251	
Seylan Bank PLC	14.22	10.90	10.93	10.67	10.44	-378	
Union Bank of Colombo PLC	16.68	12.00	11.45	10.82	10.72	-596	
Pan Asia Banking Corporation PLC	15.49	13.50	13.42	12.90	12.90	-259	
National Development Bank PLC	12.83	11.58	10.52	10.57	10.25	-258	
Nations Trust Bank PLC	12.45	11.33	10.75	10.18	9.89	-256	
DFCC Bank PLC	13.84	11.46	11.24	11.90	11.25	-259	
Citibank, N.A.	11.30	9.94	8.68	8.48	8.93	-237	
Deutsche Bank AG	10.90	9.75	10.36	9.65	9.49	-141	
Habib Bank Ltd	12.73	12.73	10.57	10.42	10.21	-252	
The Hongkong & Shanghai Banking Corporation Ltd (HSBC)	9.84	8.51	8.59	9.02	8.84	-100	
Indian Bank	13.73	12.36	12.08	11.70	11.17	-256	
Indian Overseas Bank	14.23	12.69	12.69	12.69	12.69	-154	96
ICICI Bank Ltd ²	12.76	10.14	10.14	10.14	10.14	-262	
MCB Bank Ltd	13.23	11.44	12.38	10.92	10.92	-231	19
Public Bank Berhad	13.25	13.25	13.37	12.50	12.38	-87	163
Standard Chartered Bank	11.52	10.22	10.05	9.53	9.79	-173	29
State Bank of India	11.50	9.49	9.36	9.40	9.40	-210	
Amana Bank PLC	13.16	11.40	11.40	10.95	10.95	-221	29
Axis Bank Ltd ²	13.23	12.43	11.57	11.57	11.57	-166	84
Cargills Bank Ltd	16.28	14.68	12.87	14.57	12.42	-386	
Bank of China Ltd	Not offered						

² The Central Bank of Sri Lanka has permitted Axis Bank Ltd and ICICI Bank Ltd to close down their business operations in Sri Lanka, subject to certain conditions, at the request of their parent banks. Accordingly, these two banks are currently not permitted to carry on banking business, including accepting deposits from the general public. The licences issued to them will be cancelled once the winding-up operations are completed.

