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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

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(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

CENTRAL BANK OF SRI LANKA ACT, NO. 16 OF 2023

RULES made under Section 105 read with Section 106(1) and Section 31(2) of the Central Bank of Sri Lanka Act, No. 16 of 2023.

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

Central Bank of Sri Lanka,
Colombo,
26th November, 2024.

Rules made by the Central Bank of Sri Lanka

1. These Rules shall be cited as the " Rules on Open Market Operations of the Central Bank of Sri Lanka, No. 1 of 2024".

2. The Monetary Policy Board of the Central Bank, acting in terms of the provisions of Section 31(2) of the Central Bank of Sri Lanka Act, No. 16 of 2023, hereby introduces operational changes to Open Market Operations effective 27 November 2024, with the introduction of **the Overnight Policy Rate (OPR)** for the purpose of signaling and operationalising the monetary policy stance of the Central Bank.

3. The Overnight Policy Rate may be periodically reviewed and adjusted by the Monetary Policy Board as and when necessary, to officially indicate and communicate the monetary policy stance of the Central Bank.

4. The Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) are linked to the Overnight Policy Rate, with pre-determined margins as determined by the Monetary Policy Board.

5. Changes to the Overnight Policy Rate and/or the pre-determined margins will be announced to the market and public by the Central Bank.

6. Accordingly, the following Rules shall apply to Participatory Institutions in respect of conducting Open Market Operations by the Central Bank:

   6.1. Every Participatory Institution that submits bids for repo auctions and reverse repo auctions under Open Market Operations shall comply with these Rules.

      6.1.1. Any bid submitted by a Participatory Institution under a short-term repo auction, at or above the Overnight Policy Rate, will be rejected.

      6.1.2. Any bid submitted by a Participatory Institution under a short-term reverse repo auction, at or below the Overnight Policy Rate, will be rejected.

7. In the event of any inconsistency between these Rules and the existing Operating Instructions in relation to the Open Market Operations, these Rules shall prevail.

For the purpose of these Rules:

(i) "Central Bank" shall mean the Central Bank of Sri Lanka established under the Central Bank of Sri Lanka Act, No. 16 of 2023.

(ii) "Monetary Policy Board" shall mean the decision-making body established under the Central Bank of Sri Lanka Act, No. 16 of 2023.

(iii) "Overnight Policy Rate" shall mean the policy interest rate of the Central Bank of Sri Lanka to officially indicate and communicate its monetary policy stance.

(iv) "Standing Deposit Facility Rate" shall mean the rate at which Participatory Institutions and Standalone Primary Dealers (the companies appointed as Primary Dealers except Licensed Commercial Banks) can deposit their excess funds with the Central Bank on an overnight basis under the Standing Facility.

(v) "Standing Lending Facility Rate" shall mean the rate at which Participatory Institutions and Standalone Primary Dealers (the companies appointed as Primary Dealers except Licensed Commercial Banks) can borrow funds from the Central Bank on an overnight basis under the Standing Facility.

(vi) "Participatory Institutions" shall mean the Institutions that are eligible for short-term auctions under Open Market Operations, which includes all Licensed Commercial Banks, and the Employees' Provident Fund.

(vii) "Short-term Repo Auction" shall mean the short-term auctions in the form of repurchase transactions (to absorb liquidity). The tenure of the short-term auctions shall be overnight to 7 days (one week).

(viii) "Short-term Reverse Repo Auction" shall mean the short-term auctions in the form of reverse repurchase transactions (to inject liquidity). The tenure of the short-term auctions shall be overnight to 7 days (one week).

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