

# PRESS RELEASE

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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

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## The Central Bank of Sri Lanka implements a Single Policy Interest Rate Mechanism by Introducing the Overnight Policy Rate

As announced in the Central Bank's Annual Policy Statement in January 2024 and the subsequent announcement in September 2024 of the planned implementation of the single policy interest rate mechanism, the Monetary Policy Board of the Central Bank of Sri Lanka decided to implement a single policy interest rate mechanism transitioning from its dual policy interest rate mechanism, with effect from 27 November 2024. This marks another significant improvement in the Flexible Inflation Targeting (FIT) framework implemented by the Central Bank. Accordingly, the Central Bank introduces **the Overnight Policy Rate (OPR), as its primary monetary policy tool** to signal and operationalise its monetary policy stance. The OPR will be periodically reviewed and adjusted as needed by the Central Bank to indicate and communicate a change in its monetary policy stance. This transition is expected to enhance the efficiency and effectiveness of monetary policy signalling and transmission to the financial markets and the broader economy.

With this change, the Central Bank will target to maintain the average weighted call money rate (AWCMR), the rate at which banks transact with each other in the interbank market, at or around the announced OPR. AWCMR will remain the operating target of the Central Bank under its FIT framework.

The standing facilities, namely the Standing Deposit Facility and the Standing Lending Facility will continue to be available to participatory institutions for overnight transactions with the Central Bank. The applicable rates for these facilities, namely the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) will be linked to the OPR, with pre-determined margins as decided by the Central Bank. SDFR and SLFR will continue to provide the lower bound and upper bound, respectively, for interbank call money rates. With this transition to the single policy interest rate mechanism, SDFR and SLFR will no longer be considered policy interest rates of the Central Bank.

The Central Bank's monetary policy is guided by the FIT framework, which aims to maintain headline inflation at the target rate of 5 per cent, while fostering economic growth to reach its potential.

*Note: The Extraordinary Gazette No.2412/09 containing the Rules on Open Market Operations of the Central Bank of Sri Lanka No 1 of 2024 relating to the implementation of the single policy interest rate mechanism can be accessed via [http://documents.gov.lk/files/egz/2024/11/2412-09\\_E.pdf](http://documents.gov.lk/files/egz/2024/11/2412-09_E.pdf)*