



CBSL eases restrictions on Standing Facilities for LCBs

FLASH NOTE

CBSL RELAXES BORROWING LIMITS FOR LICENSED COMMERCIAL BANKS AT THE MONETARY POLICY MEETING HELD ON 07-FEB-24

- The Monetary Policy Board has decided to relax the restrictions on the Standing Facilities to Licensed Commercial Banks (LCBs), following a review of market developments and improved liquidity conditions. Effective from 16-Feb-24, the restriction on the Standing Lending Facility (SLF) will be lifted, and the limit on access to Standing Deposit Facility (SDF) access will double from 5 times per month to 10 times per month.
- In Jan-23, CBSL imposed restrictions on Standing Facilities for LCBs, to reduce their overdependence on overnight facilities, reactivate the domestic money market, and prompt them to introduce internal corrective measures. Access to the SDF was limited to 5 times per calendar month, while access to the SLF was capped at 90% of the Statutory Reserve Requirement of each LCB on any given day.
- It was reported that these initial restrictions have produced positive outcomes, reactivating the money market, mitigating excessive competition for deposit mobilization among banks, and aligning market interest rates with CBSL's monetary policy stance, all while ensuring financial system stability.
- CBSL now expects that this relaxation will further stimulate interbank lending and borrowing, accelerating a decline in market interest rates in line with its monetary policy direction.

Press Release:

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20240208_relaxation_of_restrictions_imposed_on_the_standing_facilities_e.pdf



First Capital

First Capital Holdings PLC

No.2, Deal Place,
Colombo 3

Tel: +94 11 2145 000
Fax: +94 11 2145 050

RESEARCH

Dimantha Mathew	+94 11 2639 853	Tharusha Ashokgar	+94 11 2639 866
Ranjan Ranatunga	+94 11 2639 863	Zaeema Jihan	+94 11 2639 866
Vinodhini Rajapoopathy	+94 11 2639 866	Nethmi Fernando	+94 11 2639 866

GOVERNMENT SECURITIES SALES

Anjelo Simmons	+94 77 3031 636	Arun Kandasamy	+94 75 4861 506
Anushka Dissanayake	+94 77 2220 021		
Anushi Ranawaka	+94 77 3876 819		

CORPORATE DEBT SALES

Tharusha Ekanayake	+ 94 77 7 809 154
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EQUITY SALES

CEO	Jaliya Wijeratne	+94 70 2910 042
-----	------------------	-----------------

Colombo

Rasika Indra Kumara	+94 77 7072 698	Anjelo LaBrooy	+94 77 7546 645
Isuru Jayawardena	+94 76 7084 953	Dillon Lowe	+94 76 616 0647
Nishantha Mudalige	+94 70 2910 041	Evelyn John	+94 77 779 2452
Anushka Buddhika	+94 71 4310 600	Yudheshan Kannadasan	+94 77 415 5809
Thushara Pathiraja	+94 70 2910 037		

Negombo

Priyanka Anuruddha	+94 70 2910 035	Priyantha Wijesiri	+94 70 2910 036
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UNIT TRUST SALES

Kavin Karunamoorthy	+94 77 0328 060	Imali Abeygunawardena	+94 77 1764 799
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BRANCHES

Kandy CSE Branch Office, No. 88, Dalada Veediya, Kandy 20000.	Kurunegala No.174/B2, Negombo Road, Kurunegala. Kurunegala 60000.	Matara CSE Branch Office, 1 st Floor, E.H.Cooray Tower, No.24, Anagarika Dharmapala Mawatha, Matara 81000.	Negombo Colombo Stock Exchange Negombo Branch Office, No. 72 A, 2/1, Old Chilaw Road, Negombo 11500.
Manager: Salinda Samarakoon Tel: +94 81 2236 010	Manager: Tel: +94 37 2222 930	Manager: Rohana Jayakody Tel: +94 41 2222 988	Manager: Tel: +94 31 4937 072

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