

1950-2020 **Stability**  
**Sustainability**  
Shared Prosperity



## ***Vision***

A credible and dynamic central bank contributing to the prosperity of Sri Lanka



## ***Mission***

Maintaining economic and price stability and financial system stability to support sustainable growth through policy stimulus, advice, commitment and excellence

# CENTRAL BANK OF SRI LANKA

The Central Bank of Sri Lanka was established in 1950 by the Monetary Law Act of 1949. The Central Bank is at the apex of Sri Lanka's financial system and is responsible for safeguarding both the value of the Sri Lanka Rupee and the stability of the country's financial system.

The Central Bank's focus and functions have evolved since its formation, in response to the changing economic environment. In keeping with trends in central banking, the objectives of the Central Bank were streamlined by amending the MLA in 2002, to enable it to pursue two core objectives. The objectives of the Central Bank are to secure economic and price stability and financial system stability with a view to encouraging and promoting the development of productive resources of Sri Lanka. The two objectives are correlated and complement each other.

The core Functions of the Central Bank includes (a) Conduct of monetary policy (b) Conduct of exchange rate policy (c) Management of the official foreign reserves (d) Licensing, regulation and supervision of banks and selected non – bank financial institutions (e) Macroprudential Surveillance (f) Provision of settlement facilities and the regulation of the payment system (g) Issue of currency notes and coins (h) Banker and financial adviser to the Government and (i) Banker to Commercial Banks. The Central Bank also undertakes Agency Functions on behalf of the Government consisting of (a) Management of the Public Debt and Fiscal Agent of the Government (b) Management and Custodian of the Employees' Provident Fund (c) Management of Foreign Exchange (d) Facilitating financial inclusion and balanced growth.

Through the past seven decades, the Central Bank of Sri Lanka has conscientiously partaken in the socioeconomic progress of Sri Lanka and unrelentingly marched forward in the pursuit of stability, sustainability and shared prosperity for all.

Despite having experienced several internal and external woes over several years, the Central Bank's proactive role, in creating a stable and conducive macroeconomic environment for the country's sustainable and inclusive growth and, in the shaping of the economy has translated into a steady improvement in the living standards of the people.





Supported by proactive monetary policy measures and improved policy communication, inflation has been maintained at single digit level for over 12 years. Capitalising on this achievement the Central Bank strives to establish a permanent single digit interest rate structure in the economy.

This is imperative to promote investment and entrepreneurship in the country, the needed foundation for sustained high economic growth. The availability of low-cost funding on a sustainable basis would encourage businesses to venture into new industries and sectors that have high growth potential.

Growth-conducive policy measures taken by the Central Bank and the Government in 2020, we believe, would take a while to be effectively transmitted to the real economy. Given the low inflation environment and well anchored inflation expectations, the availability of low-cost funding on a sustainable basis would encourage businesses, including start-ups, to venture into new industries and sectors that have high growth potential. The policy framework of the Central Bank will be driven towards supporting this high growth path over the medium-term.



Amidst numerous uncertainties and unprecedented global and domestic challenges, the financial sector stability was maintained.

In consultation with the Government, the Central Bank took a series of extraordinary policy, operational and regulatory measures to serve the businesses and individuals during the pandemic through the financial system.

Plans are underway to establish resilient and well performing licensed finance companies to protect the interest of depositors and maintain public confidence in the financial system.





In 2020, the year of digital transactions, the Central Bank redoubled its efforts to implement new technologies to strengthen the payments and settlements infrastructure, while meeting the increased demand for currency.

Regulatory framework was strengthened to ensure safety of customer funds and information and to enhance efficiency of payments and settlement systems.

Uninterrupted currency issue operations were ensured during the pandemic period to meet increased desire of the public to hold cash.

While accommodating the financing needs of the Government at the lowest possible cost consistent with a prudent degree of risk, all efforts are taken to maintain the Government's unblemished debt service record in the future as well.

Following the de-listing of Sri Lanka from the Grey List of Financial Action Task Force (FATF) in 2019, the country made significant progress in adhering to international norms on Anti-Money Laundering and Countering the Financing of Terrorism.





Investment Opportunities ahead; 2021 Budget proposals to develop the Colombo Port city special economic zone as an attractive business gateway linking markets in the East and the West, to promote Colombo and Hambantota ports as commodity trading hubs, to establish a modern investment zone for local and foreign private investors under the Strategic Development Act.

Tax reforms and legislative reforms that have been implemented makes Sri Lanka a destination of promise for investment, domestic and foreign alike.

## Investment opportunities are also available in;

- Infrastructure: Including Economic Corridors, Industrial and Export Zones and Expressways...
- Sustainable development: Renewable Energy, Access to Clean Water and Sewerage Systems...
- PPP Projects: Education, Health, Housing and Transport...
- Further, investment opportunities: Tourism and Leisure, Agriculture, Export Manufacturing, Export Services, Apparel Industry, Knowledge Services, IT BPO, Digital Solutions, Utilities and many more...



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- Strong Resilient Economy
  - Low Interest Rate
  - Low and Stable Inflation
  - Investment Protection and Tax Concession
  - Political Stability
  - Supportive Investment Policies
  - Resilient Financial System
  - Location and Connectivity
  - Access to Key Markets
  - Educated and Adaptable Workforce
  - Vibrant Business Environment
  - Fast Developing Infrastructure
  - Export Oriented Policy Priority
  - Digitally Driven Effective and Efficient Financial Services
  - Diverse Attractions for Tourists