`General Citvulat No 2023/15

3RD November 2023

**INTEREST ON EARLY WITHDRAWAL** OF TERM DEPOSITS

1. We need to comply with the Direction No 01 of 2019 of the Central Bank of Sri Lanka on the subject “Maximum Interest rates on Deposits and Debt Instruments” subsection 4 on “ Interest applicable to early withdrawals” which is reproduced below for compliance with immediate effect.

Quote

***In the case of an early withdrawal*** *of any term deposit prior to its original applicable to contracted maturity date, the interest payable on the deposit up to the date early of withdrawal shall be computed on the basis of the* ***lower of****, the withdrawals published interest rate of the LFC applicable to the completed period prevailing at the time of withdrawal* ***or*** *at a rate of 100 basis points less than the contracted rate.*

*The LFC shall at the time of early withdrawal* *recover any excess interest that may have been paid above the interest amount so computed during the period the deposit was held.*

Unquote

1. To implement the requirements in the aforesaid directive you should take into consideration the following data and **apply the resulting lower rate of interest comparing (A) with (B) below to compute the interest payable on the early withdrawal of term deposits**

|  |  |
| --- | --- |
| **A** | The withdrawals published interest rate of our company **applicable to the completed period** prevailing at the time of withdrawal  ( Example :- *If the deposit is for one-year and if it is withdrawn after 25 days the rate* ***applicable to the completed period would be*** *the prevailing one-month rate of interest quoted in our circular on” Rates of Interest on Deposits” and so on)* |
| **B** | **Contracted rate of interest** of the deposit less I % *(i.e. Less 100 basis points)* |

1. If you have **paid interest monthly** recover any excess interest that may have been paid **above the interest amount computed as per paragraph (2) above during** the period the deposit was held.
2. As per the CBSL Directive referred to above the above basis of this calculation should be made known to the depositors at the time of accepting depositd by the Branch Manager
3. IT Deparment should arrange to provide the technology support as appropriate.
4. Branch Managers should bring to the notice of all staff members the requirements herein and ensure compliance with **immediate effect.9**

**Signed Signed**

**Deputy General Manager CEO / Executive Director**

**(Business Development &**

**Fund Mobilization)**