

CENTRAL BANK'S POLICY AGENDA

for 2026 and Beyond



ශ්‍රී ලංකා මහ බැංකුව
இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

Central Bank's Policy Agenda for 2026 and Beyond

Ladies and Gentlemen,

As we begin 2026, I extend my warmest wishes for a prosperous New Year that calls for courage to rebuild, with renewed resilience, and unity in advancing reforms.

In 2025, Sri Lanka made notable strides in strengthening macroeconomic stability while advancing policy reforms. Building on the stability regained, real economic activity sustained its momentum during this year.

This was achieved amidst several shocks and uncertainties. Trade policy uncertainties, financial market volatilities, and geopolitical tensions dented the global economic outlook, thereby affecting domestic sentiments during most of 2025. At the same time, the country had to grapple with growing realities of climate vulnerabilities, a fact starkly underscored by Cyclone Ditwah that caused severe devastation in late 2025, in terms of loss of lives and damage to property, while disrupting the livelihoods of many. Our thoughts are with all those impacted by the disaster.

These shocks can transmit rapidly through our economy and test its resilience. This is why building resilience is not a choice, but a necessity. At the core of resilience lies macroeconomic stability. The resilience fostered by stability enables an economy to effectively absorb shocks, adapt to evolving conditions, and recover with confidence.

With this firmly in mind, the Central Bank will remain committed to fulfilling its mandate of maintaining domestic price stability and safeguarding financial system stability. This would provide a platform for the economy to confront future challenges with great confidence, thereby achieving sustained growth and prosperity.

Against this backdrop, let me now highlight some of the key developments in 2025, and outline our priorities and plans for the period ahead - 2026 and beyond. Please note that this agenda is not a static blueprint; rather, it is designed to remain flexible and responsive to evolving macroeconomic conditions, enabling us to

better fulfil our mandate of maintaining price stability and financial system stability while supporting the economy's continued progress.

Ensuring Price Stability in the Economy

In 2025, the Central Bank further eased its accommodative monetary policy stance with a view to supporting a sustainable recovery in the economy, in an environment of subdued inflationary pressures. Accordingly, we induced an overall reduction in market interest rates. **Credit to the private sector expanded notably during this period**, amidst a contraction in credit to the public sector. The expansion of private sector credit has been broad-based across key economic sectors, including a notable increase in lending to the household sector in line with strengthening demand conditions. **This credit expansion supported sustaining the growth momentum in 2025.**

In operating under a flexible inflation targeting framework, **the Central Bank has always recognised that transparency, credibility, and accountability are essential to effectively anchor inflation expectations.** The agreement reached with the Government on the inflation target of 5 per cent in 2023, along with the provisions of the Central Bank Act, ensures that the Central Bank remains accountable for achieving the inflation target. The deflationary conditions and the subsequent period of lower inflation resulted in inflation remaining below the target by more than the agreed margin from the second quarter of 2024. Accordingly, the Central Bank continued to submit reports on the deviation of headline inflation from the inflation target to the Parliament through the Minister of Finance. Moreover, by making these reports available to the public, the Central Bank has further strengthened its transparency and accountability to both the Parliament and the general public, thereby reinforcing credibility and anchoring inflation expectations.

According to the projections made prior to the Cyclone Ditwah, **inflation is expected to continue to gradually rise in 2026, reaching the target by the second half of the year.** There are both upside and downside risks to inflation arising from the devastation caused by the Cyclone. The possible impact of Cyclone Ditwah and policy responses will be incorporated in upcoming forecasts. Destruction of supply chains and

infrastructure could hurt growth prospects, while reconstruction activities and related spending would be growth-positive. **Continuing the growth momentum reported during the last two years, the economy is expected to grow by around 4 - 5 per cent in 2026.** Having made notable progress in building buffers across the main sectors of the economy, such as the fiscal, external, and monetary sectors, we believe that the economy possesses greater capacity to bounce back from this devastation much faster than in the past.

Like in many other parts of the world, the frequency of extreme weather events in Sri Lanka has increased in recent years. **The Central Bank remains vigilant about any possible supply-side shocks that can affect the general price level and inflation expectations due to the impact of such shocks.** As you are aware, central banks have limited capacity to respond to supply-side shocks in managing inflation. **Going forward, other measures to smooth the impact of such supply-side shocks should also be prioritised at the national level.**

In this context, while appreciating the ongoing efforts to restore normalcy with the support of the national and international stakeholders, **we reiterate the urgent need for prioritising the country's disaster preparedness and long-term resilience building.**

During 2025, Sri Lanka's external sector faced significant challenges amidst elevated global uncertainties, arising from shifts in global trade policies and heightened geopolitical tensions. Domestically, these pressures were compounded mainly by the import of vehicles, largely reflecting the release of pent-up demand at a scale much higher-than-expected. This was also fueled by the false speculation on the reinstatement of restrictions. These developments exerted some pressure on the foreign exchange liquidity and the currency. Nevertheless, **the external current account is estimated to have registered a surplus for the third consecutive year.** As a result, **the market-determined exchange rate remained less volatile** and reported a gradual depreciation during the year.

Despite facing challenging conditions, such as meeting obligations for servicing external debt of the government without corresponding inflows and increased demand for vehicle imports, Gross Official Reserves (GOR),¹ which hovered around US dollars 6.0 - 6.3 billion during most of the year, **surpassed US dollars 6.8 billion by end 2025**. This represents the highest level of reserves recorded since the crisis. **This was largely supported by US dollars 2.0 billion in net foreign exchange purchases made by the Central Bank** (on value date basis) from the domestic foreign exchange market, along with some proceeds from multilateral agencies. Substantial net foreign exchange purchases in 2025, followed net purchases made by the Central Bank from the domestic foreign exchange market, in 2023 and 2024 amounting to US dollars 1.7 billion and US dollars 2.8 billion, respectively. The Central Bank remains committed to building reserves through market purchases in order to meet the country's reserve adequacy requirements while allowing exchange rate flexibility.

The Government's continued commitment to fiscal consolidation is highly commendable. Sustaining fiscal discipline also supports the Central Bank's policy objectives of maintaining price stability and safeguarding financial stability.

Let me briefly discuss the policies to be implemented in 2026, focusing on enhancing the formulation and execution of monetary policy, along with our ongoing efforts to improve the transparency and predictability of our policy actions.

Monetary policy decision-making will continue to be data-driven, and improvements to modelling will continue to capture post-crisis economic dynamics more accurately. The Central Bank is committed to continuously improving data coverage, granularity, and analysis to enhance forward-looking and data-driven monetary policy decision-making. The models used in policy deliberations will be continuously evaluated and improved to better reflect the structural changes taking place in the economy and to suit the evolving economic conditions.

The ongoing efforts to strengthen the Modelling and Forecasting capacity will be continued, while building supplementary models to support policymaking.

¹ Including the swap facility with the People's Bank of China (PBoC)

In a data-driven policy formulation process, having access to a wide range of accurate and timely data is essential for effective policy analysis. While data collection from traditional sources provides information necessary for policy analysis, relying solely on these sources is insufficient for keeping up with rapidly changing economic conditions and for developing agile policy responses to economic shocks. As a result, economic policymakers are increasingly embracing high-frequency data at granular levels for more insights. In this regard, **the Central Bank will continue to enhance real-time economic surveillance through the collection of granular, high-frequency data and sentiments supported by novel technologies** to strengthen monetary policy deliberations. While the Central Bank highly appreciates the support of the data providers thus far, the success of this process requires continued and close engagement of relevant institutions going forward.

As required by law, there will be a **review of the agreement with the Government regarding the inflation target this year**. In this regard, we would like to thank stakeholders who have already expressed views on target-setting. The Central Bank will conduct a thorough review of macroeconomic developments and structural changes in the economy, followed by an analytical assessment of the target. Following this assessment, **a consultation with relevant stakeholders is planned**. After this consultation, the agreement will be jointly reviewed by the Central Bank and the Government and published. The review process aims to achieve many objectives, including enhancing the stakeholder awareness of the current flexible inflation targeting framework, explaining the reasoning behind setting the inflation target at a specified level, and emphasising the importance of allowing sufficient space to absorb potential domestic and global supply shocks, following the experience of other economies and taking into consideration stakeholder views.

The Central Bank's monetary policy communication strategy will focus on accessibility and inclusivity in disseminating accurate information to ensure that our policy messages reach all segments of the public and are clearly understood. To achieve this, we will expand our communication strategy to maintain close engagement with stakeholders and a greater public understanding of monetary policy actions by the Central Bank. Through this, **we aim to support informed decision-making by general public and build public trust**. Today's

gathering serves as a significant reflection of our steadfast commitment to this effort of national importance.

The conduct of monetary policy was streamlined under the single policy rate mechanism and operationalised through the Overnight Policy Rate (OPR). During 2025, while the Central Bank managed domestic money market liquidity at appropriate levels, some upward deviation of short-term interest rates from the OPR was observed in late 2025, largely reflecting asymmetry in liquidity distribution among market participants and the pick up in credit growth. Going forward, this transitory deviation is expected to be corrected as appropriate. **The Central Bank stands ready to manage liquidity in line with the monetary policy stance to ensure that short-term interest rates remain aligned with the desired policy path,** supporting the maintenance of inflation around the target of 5 per cent.

The Central Bank aims to strengthen its monetary policy implementation framework by introducing enhancements to the existing infrastructure for monetary operations. These improvements will be complemented by the adoption of international best practices, including a review of counterparty agreements, to enhance market transparency and depth, with the overarching objective of facilitating market development in support of achieving the objectives of the Central Bank.

Last year, we announced that the Central Bank would be reviewing and optimising the Statutory Reserve Ratio (SRR) framework. Accordingly, the SRR framework was reviewed in 2025 to further align with international best practices. **This year, several modifications to the SRR framework will be implemented.** These will include **redefining the Reserve Maintenance Period (RMP), the phased removal of the till-cash concession given to banks and an increase in the daily minimum reserve requirement,** which was adjusted downward during COVID-19.

On the domestic foreign exchange market, as announced last year, the necessary preliminary work to implement the benchmark spot exchange rate was carried out throughout the year 2025. Accordingly, **a benchmark intra-day reference exchange rate will be introduced in 2026 to foster a transparent foreign exchange market.** This benchmark will guide market participants, help reduce volatility, and promote more competitive pricing on a given date,

thereby enabling the introduction of more innovative products in the foreign exchange market.

With all import restrictions being removed, **the base years for the Nominal Effective Exchange Rate (NEER) and Real Effective Exchange Rate (REER) indices will be updated** to better capture Sri Lanka’s overall trade competitiveness.

The Central Bank’s reserve management will continue to be guided by the three core principles of Safety, Liquidity, and Return. This will ensure that foreign reserves are managed prudently and effectively in accordance with sound governance frameworks and international best practices. Meanwhile, with the improvements in foreign reserves, an investment tranche was established to enhance returns and capitalise on favourable market conditions. This marked the first such initiative in four years, following a prolonged period during which reserves remained low and were maintained solely to meet liquidity requirements.

Today, in keeping with the statutory requirement and as done in the past, we are happy to announce the monetary policy advance release calendar for 2026.

Monetary Policy Advance Release Calendar – 2026

Cycle No.	Monetary Policy Board Meeting	Monetary Policy Announcement
1	27 January	28 January <i>Monetary Policy Report – on or before 15 February</i>
2	24 March	25 March
3	25 May	26 May
4	21 July	22 July <i>Monetary Policy Report – on or before 15 August</i>
5	29 September	30 September
6	19 November	20 November

Securing Financial System Stability

Let us now examine the key developments in relation to the financial system and the strategies we will pursue to strengthen financial system stability in the period ahead.

The financial system continued to show resilience in 2025, supported by strong macroeconomic fundamentals and the gradual easing of the spillover effects of the crisis. These conditions enabled the rebuilding of capital buffers and reinforced overall financial system stability. **As a whole, both the banking sector and finance companies recorded notable improvements, driven by improved asset quality, enhanced operational efficiency, and stronger profitability.** Furthermore, liquidity and capital adequacy levels remained well above regulatory thresholds, further strengthening systemic resilience. Building on this stability, the financial system is well-positioned to withstand potential future shocks and to sustain stability going forward.

During 2025, the Central Bank took **several targeted measures** to safeguard systemic stability. These included **revising the criteria for designating Domestic Systemically Important Banks (D-SIBs)** and **introducing updated Loan-to-Value (LTV) ratios.**

At the same time, **analytical capabilities were strengthened, thereby improving interconnectedness and contagion analysis across the banking and finance company sectors.** This allows us to assess risks more comprehensively in a forward-looking perspective.

Continuing these efforts, the Central Bank is in the process of **establishing coordinated data-sharing arrangements between the Central Bank and other financial sector regulators.** This will enable us to better understand interconnectedness and spillover risks across the financial system. With the support of other regulators, we will also extend **the scope of macroprudential surveillance to financial sector participants regulated by other authorities** and **develop appropriate prudential standards to strengthen systemic risk oversight across the broader financial sector.** Strengthening collaboration among regulatory authorities is

critical, as these efforts are mutually beneficial and essential for safeguarding overall financial system stability.

At the same time, **climate-related vulnerabilities have become increasingly evident**, particularly following the Cyclone Ditwah, which disrupted multiple sectors of the economy, including the financial sector. Such weather extremes create high-risk exposure of the financial sector, given its interconnectedness with vulnerable sectors across the economy.

In response to the cyclone impact, **the Central Bank directed banks and financial institutions to provide immediate relief measures, including moratoria and targeted support** for those affected. But, beyond these short-term measures, recurring natural disasters remind us of the broader risks climate-related shocks pose to financial system stability. This also **highlights the importance of building buffers during periods of stability**, enabling the financial system to withstand and absorb shocks, which are likely to occur more frequently in the future.

In this context, strengthening systemic risk oversight and enhancing the resilience of the banking sector through the **Countercyclical Capital Buffer (CCyB) framework remains a key priority for 2026**. This is designed to mitigate cyclical risks by promoting the build-up of capital buffers during good times, which can then be drawn down in times of stress.

Furthermore, in line with national climate initiatives, and to strengthen the resilience of the financial sector against climate-related risks, **the Central Bank launched the Sustainable Finance Roadmap 2.0 in 2025**. In line with its expanded scope, **the Sri Lanka Green Finance Taxonomy will be broadened in 2026 to include the social dimensions of sustainable finance**.

In respect of microprudential supervision of Licensed Banks and Finance Companies, the Central Bank continued to implement prudential policy measures and regulatory initiatives aimed at strengthening the safety, soundness, and resilience of the financial sector. At the same time, we further enhanced risk-based supervision

and continuous surveillance frameworks to ensure timely identification and mitigation of emerging risks.

Going forward, continuous supervision will be further strengthened through **a comprehensive review of the regulatory framework applicable to the banking sector, including loan classification standards and risk management requirements, in alignment with the Basel Core Principles and international best practices.** In parallel, **the legal framework governing the non-bank financial sector is expected to be reviewed in 2026.** These reforms will be supported by ongoing efforts to strengthen institutional capacity and expand the use of data-driven supervisory tools for early risk identification, thereby further reinforcing the overall supervisory process. At the same time, the Central Bank will continue to support offshore banking activities through appropriate regulatory and supervisory oversight.

In addition, **the Central Bank's efforts to develop a more resilient financial sector will continue under the Master Plan for the consolidation of banks and finance companies.** Accordingly, monitoring of finance companies was commenced based on the scores achieved by finance companies in terms of the revised framework for Phase II. These efforts will ensure long-term sustainability, enhanced financial stability, improved efficiency and strengthened risk management across the sector. Moreover, consolidation will enable banking and financial institutions to achieve the scale and balance sheet strength necessary to support large-scale and complex investments, which is imperative to enhance investments in the country. Furthermore, consolidation enables greater investment in technology, promotes financial inclusion, and positions institutions to engage in healthy and sustainable competition.

The 2022 crisis underscored the critical importance of having a well-established and effective resolution framework for the financial sector. In response, **the Central Bank made significant progress during 2025 in strengthening Sri Lanka's resolution framework, with a strong focus on enhancing institutional readiness.** These initiatives are expected to be completed in 2026, in line with international best practices, thereby supporting financial system stability and the orderly resolution of distressed financial institutions.

The continued execution of compensation payments through the Sri Lanka Deposit Insurance Scheme (SLDIS) has further strengthened public confidence in the financial safety net. **With the support of the World Bank, further enhancements to the Sri Lanka Deposit Insurance Scheme are envisaged**, including strengthening its fund base and reinforcing its role as a robust backstop within the broader financial safety-net architecture, alongside efforts to build institutional capacity. **Enhancing public awareness on the Sri Lanka Deposit Insurance Scheme would also be a key focus area in 2026.** Collectively, these measures will strengthen the resilience of the financial system and enhance its capacity to withstand future financial stress.

While the Central Bank's supervisory focus has traditionally centred on microprudential and macroprudential oversight of financial institutions, growing concerns relating to customer-centric issues have necessitated a stronger emphasis on market conduct and financial consumer protection. Accordingly, **regulations were further strengthened to promote fairness, transparency and accountability in the pricing and delivery of financial services.**

Supervisory oversight in relation to market conduct and financial consumer protection was further reinforced through the proactive management of consumer complaints and investigations into prohibited and unauthorised schemes, thereby contributing not only to consumer confidence but also to the integrity and stability of the financial system. These efforts were complemented by targeted public awareness initiatives, recognising that awareness is a critical pillar in enhancing consumers' understanding of financial products and improving protection outcomes.

Going forward, **the Central Bank will further enhance its supervisory processes to enable the early identification of emerging consumer-related risks, address unfair market practices, and reinforce disclosure and transparency requirements for regulated institutions.** In this regard, the mutually reinforcing relationship between financial stability and consumer confidence is underscored, as strong financial consumer protection is essential for economic resilience and sustainable growth. **The Central Bank also calls for the continued cooperation of financial institutions to**

embed market conduct and financial consumer protection principles within their organisational culture and day-to-day operational practices.

In 2025, significant progress was made in enhancing the digitalisation, efficiency, and accessibility of the national payment system. In this context, the Central Bank, together with the National Payments Council and the Industry Consultative and Monitoring Committee on Payment and Settlement Systems, **developed the National Payment System Roadmap for 2025–2027.** This roadmap provides a clear strategic direction and well-defined targets for the industry to collectively progress towards a less-cash, digitalised economy, while promoting innovation and strengthening the safety and efficiency of the national payment system.

Looking ahead, the Central Bank will continue to prioritise its efforts to further improve the efficiency and effectiveness of Sri Lanka’s payment systems, while safeguarding their safety and resilience. In support of these objectives, **legal reforms relating to payment and settlement systems are expected to be undertaken in 2026.** In parallel, the Central Bank will also explore opportunities to **link Sri Lanka’s payment systems with international payment platforms more,** thereby enhancing cross-border integration, efficiency and accessibility.

Other Policies and Functions of the Central Bank

Beyond its core objectives, the Central Bank promotes financial inclusion and undertakes several agency functions on behalf of the Government, with a key focus on strengthening financial inclusion and literacy, enhancing foreign exchange management and deepening the Anti-Money Laundering/ Combating the Financing of Terrorism and Countering the Financing of Proliferation of Weapons of Mass Destruction (AML/CFT/CPF) framework through regulatory improvements, coordination, and stakeholder engagement.

Further to our focus on maintaining stability, **the Central Bank has enhanced its efforts on promoting financial inclusion.** This reflects a broader recognition of the importance of fostering a more inclusive and sustainable financial system. In this context, the Central Bank continued the implementation of the Financial Literacy Roadmap of Sri Lanka,

launched in 2024, supporting the development of advancing the financial well-being of Sri Lankans.

Phase II of the National Financial Inclusion Strategy (NFIS) is expected to be formulated in 2026, which will focus on broadening financial inclusion across Sri Lanka. The **new phase aims to expand access to quality financial services for underserved populations while strengthening financial consumer protection and integrating inclusive green finance.**

Ensuring the orderly and lawful flow of foreign exchange for investment and other authorised purposes, the Central Bank continues to carry out foreign exchange management on behalf of the Government. **In 2025, the Central Bank expedited the gradual relaxation of capital flow measures imposed since 2020**, while conducting continuous supervision and awareness programmes to strengthen compliance with the regulatory framework.

The comprehensive review of the existing foreign exchange policy framework, which commenced in 2025, will continue in 2026 as well, to ensure that regulations remain aligned with evolving economic conditions and the financing needs of businesses, in an economically sustainable manner. **Key priorities for 2026 include assessing policies related to investments in companies incorporated in Sri Lanka by non-resident investors, as well as the external commercial borrowings of resident companies.** In parallel, supervisory and monitoring systems are expected to strengthen further through required reforms in law enforcement with a view to ensuring prudent foreign exchange management in the country.

In 2025, the Financial Intelligence Unit of Sri Lanka (FIU) strengthened the national AML/CFT/CPF framework further with greater collaboration with its stakeholders.

Key achievements during the year included improved mechanisms for monitoring stakeholder action plans, progress in amending core AML/CFT/CPF laws, increased analysis and dissemination of Suspicious Transaction Reports, and targeted capacity-building programmes to enhance institutional effectiveness and national readiness for the third Mutual Evaluation, which is expected to be commenced in 2026.

Sri Lanka's third Mutual Evaluation on its AML/CFT/CPF framework, coordinated by the Asia Pacific Group on Money Laundering (APG), will be a major milestone in 2026.

The successful outcome of the Mutual Evaluation will depend on demonstrating a higher level of technical compliance with the 40 Recommendations of the Financial Action Task Force (FATF) and effectiveness against 11 Immediate Outcomes. The Mutual Evaluation is a coordinated effort, involving both public and private sectors, including key ministries such as the Ministry of Finance, Ministry of Defence, Ministry of Foreign Affairs and Ministry of Justice and other key agencies such as the Attorney General's Department, Sri Lanka Police, Sri Lanka Customs, etc. The highest political will and commitment, effective inter-agency coordination and close collaboration of relevant stakeholders will be vital in successfully facing the Mutual Evaluation. The FIU will mainly focus on coordinating the mutual evaluation by leading national preparations, monitoring stakeholder action plans, and facilitating submissions and engagements with assessors.

It is imperative that Sri Lanka approaches the Mutual Evaluation from a position of strength. At present, the country is well positioned to achieve a favourable outcome.

Nevertheless, it is important to recognise that any unfavourable outcome of the Mutual Evaluation would have significant economic and reputational repercussions for Sri Lanka. If Sri Lanka's AML/CFT/CPF regime is found to have strategic deficiencies, then Sri Lanka would be placed in the FATF's International Co-operation Review Group (ICRG) list of jurisdictions under increased monitoring, known as the "Grey list". Grey listing would result in increased scrutiny of cross-border financial transactions, higher compliance costs, delays in international payments, and reduced access to correspondent banking relationships. It could also adversely affect foreign direct investment (FDI), capital inflows, export-oriented sectors, remittance flows, and overall economic growth, while increasing borrowing costs for both the public and private sectors.

Accordingly, **reinforcing the national urgency to elevate the Mutual Evaluation preparation as a top-tier priority and strengthening stakeholder commitment and accountability would be critical to securing a successful Mutual Evaluation outcome.**

The Central Bank, as the custodian of the **Employees' Provident Fund (EPF)**, the largest superannuation fund in Sri Lanka, **will introduce major service and system upgrades to provide members with efficient service delivery and easier access to benefits across nearly 22 million member accounts in the period ahead.** A journey towards a paperless environment, expanded digital contribution payments, and a unified “One e-system” will reduce delays, improve transparency, and speed up both pre-retirement and retirement payments. At the same time, the EPF will continue prudent investment diversification to strengthen risk-adjusted returns while safeguarding the long-term security of members' retirement savings. Looking ahead, **though the Central Bank has no objection to transferring this agency function out of the Central Bank, the Government has decided to retain such responsibility with the Central Bank.**

Fiscal, Monetary and Financial Stability Policy Coordination

Effective coordination between the Central Bank and the Government on fiscal, monetary, and financial stability policies is essential to ensure a coherent, credible, and predictable macroeconomic policy framework, benefiting all stakeholders. While fiscal policy decisions and measures can directly influence inflation dynamics and financial system soundness, close coordination within the mandate is critical for the Central Bank to achieve its objectives of maintaining domestic price stability and safeguarding financial system stability. Meanwhile, since the Central Bank's policies can also impact fiscal policy, improved coordination among fiscal, monetary, and financial sector policies will be beneficial for both monetary and fiscal policy formulation and effective implementation. The **Coordination Council serves as the primary platform for such coordination, meeting regularly to assess macroeconomic and financial conditions, identify potential gaps, and agree on strategic responses to emerging risks.** Complementing this, the Financial Sector Crisis Management Committee (FCCMC) and the Financial System Oversight Committee (FSOC) provide structured platforms for crisis preparedness, inter-agency collaboration, and the strengthening of the resilience of the financial system.

The Central Bank's public accountability and policy transparency are further reinforced through its regular engagements with the Parliament. This includes submission of statutory reports to the Parliament, discussions with the Parliamentary Committee on the functions and operations of the Central Bank with the Central Bank's Board Members and the senior management in attendance.

As the debt management function is fully transferred to the Public Debt Management Office of the Ministry of Finance, **coordination with the Ministry of Finance on the public debt-related matters will continue through the Public Debt Coordinating Committee (PDCC)**, ensuring a seamless transition. Nevertheless, the Central Bank will continue to operate the Scripless Securities Settlement System and the Central Depository System for government securities, going forward. Also, supervision of primary dealers will remain in the purview of the Central Bank.

Looking ahead, effective fiscal-monetary-financial sector coordination will remain essential as the economy transitions from recovery to an enhanced growth phase, while continuing to encounter global shocks and climate-related risks. Such coordination is expected to foster a stable macroeconomic environment and improved business and investor confidence.

Transition to a Future-Ready Central Bank

Let me briefly highlight a few aspects relating to internal organisation supporting and continued modernisation efforts.

People Aspect: Advancing Human Resource Strategies

Over the recent years, **the Central Bank has advanced its Human Resource Strategies Revamping Project (HRSRP)** through leadership and technical competency frameworks, targeted leadership development programmes, and strengthening foundational enablers, such as job role definitions, manpower planning, and performance management.

Building on these achievements, the Central Bank will progressively implement a comprehensive suite of HR policies from 2026 onwards. The ultimate expectation of this

revamping is to create a highly competent, motivated, and agile workforce capable of meeting the evolving demands of central banking and the overall economic and financial landscape.

Processes Aspect: Strengthening Governance and Efficiency

In 2025, the Central Bank further strengthened its risk management frameworks by establishing the Risk Appetite Framework (RAF) and Balance Sheet Risk Assessment Framework (BS-RAF) to formalise risk governance. Starting in 2026, these frameworks will be expanded to include strategic, financial, and compliance risks. This expansion will be supported by clear risk ownership, enhanced oversight, and advanced analytics. These initiatives aim to institutionalise strong governance, reinforce accountability, and foster a resilient risk culture throughout all operations of the Central Bank.

Systems Aspect: Driving Digital Transformation and Data Integration

In 2025, the Central Bank advanced its digital transformation through strategic IT initiatives, including modernising core systems, establishing a roadmap for a centralised Big Data and Data Warehouse platform, and enhancing cybersecurity and resilience in line with international standards. Going forward, while continuously enhancing information security, **the Central Bank will also commence establishing the Centralised Data Processing and Analytics System (CDPAS)**, a centralised data platform, fulfilling a foundational prerequisite for modern governance and operational intelligence. With full implementation planned over several years, it will bring the currently scattered information sources into one reliable repository. This foundation will be complemented by an Open API Framework, enabling secure, standardised data exchange with external stakeholders to promote transparency and innovation.

Concluding Remarks

After a prolonged period of unprecedented challenges, Sri Lanka enters the new year with broadly stabilised macroeconomic conditions. While the recovery has been notable and, in several respects, faster than anticipated, preserving these hard-earned gains will require a sustained commitment to prudent policymaking and the continuation of economic reforms.

The recent experience of Cyclone Ditwah served as a timely reminder of the critical importance of building and maintaining strong macroeconomic buffers. The period ahead calls for a decisive shift from recovery to resilience by strengthening policy credibility, reinforcing economic buffers, and enhancing the economy's capacity to absorb shocks.

These efforts will be vital in unlocking higher, more inclusive, and durable growth and enabling the economy to progress to greater heights without compromising stability. In this journey, the Central Bank will remain steadfast in fulfilling its mandate to maintain price stability and safeguard financial system stability, while setting the platform for sustainable and inclusive economic growth.

The policy agenda announced today outlines the Central Bank's commitments as we move forward on this journey. I like to reiterate that the policies outlined today would continue to be refined, as appropriate, as economic conditions evolve and new priorities emerge.

On behalf of the Governing Board, Monetary Policy Board and all staff of the Central Bank, let me once again wish you a New Year marked by resilience, stability, and growth.

Thank you.