

# **PART III**



## PART III

### ADMINISTRATIVE MEASURES ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING THE YEAR RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

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**Banking Act Directions No. 01 of 2017**

13 January 2017

**LOAN TO VALUE RATIOS FOR CREDIT FACILITIES  
IN RESPECT OF MOTOR VEHICLES**

Issued under Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended.

The Monetary Board issues Directions as follows for the implementation of loan to value (LTV) ratios in respect of credit facilities granted by licensed commercial banks (LCBs) and licensed specialised banks (LSBs) for the purpose of purchase or utilisation of motor vehicles.

- |    |                                      |     |   |
|----|--------------------------------------|-----|---|
| 1. | Empowerment under the Banking Act    | 1.1 | In terms of Sections 46(1) and 76(J)(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any LCB and LSB, respectively, regarding the manner in which any aspect of the business of such banks is to be conducted.   |
| 2. | Maximum LTV Ratio                    | 2.1 | Commencing 16 January 2017, credit facilities granted by every licensed bank for the purpose of purchase or utilisation of vehicles shall not exceed the following percentages of the market value of such vehicles. <ul style="list-style-type: none"> <li>(i) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;             <ul style="list-style-type: none"> <li>(a) 90 per cent for commercial vehicles (lorries and heavy vehicles);</li> <li>(b) 50 per cent for motor cars, sports utility vehicles (SUVs) and vans;</li> <li>(c) 25 per cent for three wheelers; and</li> <li>(d) 70 per cent for any other vehicles.</li> </ul> </li> <li>(ii) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for not less than one year after the first registration.</li> </ul> |
| 3. | Exemptions from the Maximum LTV      | 3.1 | The limits in Direction 2 above will not be applicable to credit facilities granted to any company engaged in tourism and/or transportation for purchase of vehicle fleets to be utilised for their core business operations, provided that such vehicles financed shall not be transferred to any person or entity within one year from the date of the first registration.  |
|    |                                      | 3.2 | Licensed banks shall have internal limits and adopt adequate risk management procedures in granting credit facilities for this category of vehicles.  |
| 4. | Other Credit Facilities for Vehicles | 4.1 | A licensed bank shall not grant credit facilities for the purpose of purchase or utilisation of motor vehicles, other than credit facilities granted in accordance with Directions 2 and 3 above.   |
| 5. | Interpretations                      | 5.1 | In these Directions: <ul style="list-style-type: none"> <li>(i) Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilisation of vehicles.</li> <li>(ii) The value of the vehicle shall be the market value obtained from a professional valuer at the time of granting credit facilities as per the prevailing practice.</li> </ul>   |
| 6. | Revocation of previous Directions    | 6.1 | The following Directions are hereby revoked: <ul style="list-style-type: none"> <li>(i) Banking Act Directions No. 02 of 2015 on Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles.</li> <li>(ii) Banking Act Directions No. 03 of 2015 on Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles.</li> </ul>  |

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka**

## Banking Act Circular No. 01 of 2017

01 February 2017

**IMPLEMENTATION OF BUDGET PROPOSALS 2017  
IN RESPECT OF BANKING SERVICES**

We wish to draw your attention to the national policy approved in the Budget 2017 in respect of the following categories of banking service requirements of the country and request all licensed banks to take appropriate measures to implement same.

- |    |  |     |   |
|----|--|-----|---|
| 1. | Distribution of Credit to Identified Sectors | 1.1 | Credit granted by licensed banks may not be less than the following percentages of total loans:<br>(i) 10 per cent each for Small and Medium Enterprises (SMEs), Exports and Tourism activities<br>(ii) 10 per cent for Agriculture in line with the existing circulars<br>(iii) 5 per cent each for Youth and Women for credit needs |
| 2. | Enhancing Banking Services                   | 2.1 | Credit granted by bank branches for business development in the respective area may not be less than 15 percent of deposits mobilized by each branch within the same area.  |
|    |  | 2.2 | Banks may streamline existing processes to expedite the grant of credit with a value of less than Rs. 5 million in less than 1 month.   |
|    |  | 2.3 | At least one branch in each district may be opened on all 7 days of the week excluding the religious holidays.  |
| 3. | Definition                                   | 3.1 | Enterprises with an annual turnover not exceeding Rs. 750mn will be considered as SMEs for the purpose of this circular in line with the definition of SME adopted by the Department of Industry and Commerce in its National Policy Framework for SME Development.   |
|    |  | 3.2 | Credit granted to agriculture shall continue to be in terms of the Circulars on Mandatory Lending to Agriculture Sector issued by the Director of Bank Supervision.   |
|    |  | 3.3 | When classifying credit to the above sectors for the purpose of compliance with this circular, credit granted to certain borrowers in sectors in Item 1 above may fall within more than one sector in the event such credit overlaps across identified sectors.   |
| 4. | Reporting                                    | 4.1 | Commencing 1 July 2017, all licensed banks shall report details of Item 1 above to the Director of Bank Supervision within 30 days from the end of each quarter in the attached format in order to monitor the bank's compliance with the national policy.  |

Mr. A A M Thassim  
**Director of Bank Supervision**

Annex I

**Distribution of Credit Sector-wise under Budget Proposals 2017**

Name of Bank			
Position as at			
Sector		Credit Outstanding (Rs. Mn)	As a % of Total Credit Granted
1	Agriculture		
2	Small and Medium Enterprises		
3	Export		
4	Tourism		
5	Youth		
6	Women		

Note 1: Reference to Bank Supervision Department Circular No. 01 of 2017 dated 01st February 2017.

Note 2: The above details shall be e-mailed to banksup@cbsl.lk within 30 days from the end of each quarter.

Date : .....

.....  
**Name and designation of authorised officer**



**Banking Act Directions No. 02 of 2017**

15 February 2017

**AMENDMENT TO DIRECTIONS ON THE LOAN TO VALUE RATIOS FOR CREDIT FACILITIES IN RESPECT OF MOTOR VEHICLES**

The interpretations in Direction 5 of the Banking Act Directions No. 01 of 2017 are amended by replacing the following:

5. Interpretations
- 5.1 Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilisation of vehicles.
- 5.2 The value of the vehicle shall be the market value. Licensed banks may use the following for the purpose of valuing vehicles:
- (i) Brand new vehicles - value given by authorized agents
- (ii) Reconditioned vehicles - valuation considered at customs or invoice value given by the dealer
- (iii) Registered vehicles - value given by a professional valuer
- 5.3 Licensed banks should ensure that the valuation is obtained at the time of granting credit facilities and provides a true and fair value.
- 5.4 The vehicle classes provided by the Department of Motor Traffic (DMT) may be categorised for the purpose of the Direction as in Table 1 below:

<b>Table 1 – Categorisation of DMT Vehicle Classes</b>		
<b>Vehicle Category</b>	<b>Vehicle Class of DMT</b>	<b>LTV</b>
Commercial vehicles (Lorries and Heavy Vehicles)	C1, C, CE, DE, G1, G, J	90%
Motor Cars, SUVs and Vans	B, D1, D	50%
Three wheelers	B1	25%
Any other vehicle	A1, A	70%

- 5.5 Fleet of vehicles referred to in Direction 3.1 shall mean two or more vehicles.
- 5.6 Company engaged in tourism referred to in Direction 3.1 shall mean a company registered with the Sri Lanka Tourism Development Authority or any other authority to provide services to tourism.
- 5.7 A company engaged in transportation referred to in Direction 3.1 shall mean any business entity registered at any state authority for the purpose of business of transportation of goods or passengers.
- 5.8 An LTV of 70% may be approved for credit in respect of all vehicles where applications for credit have been received or credit facilities have been approved by a licensed bank on or before 16 January 2017.

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka**

**Banking Act Determination No. 01 of 2017**

22 March 2017

**AMENDMENT TO PAWNING CONDITIONS ISSUED TO LICENSED COMMERCIAL BANKS**

Determination made by the Monetary Board of the Central Bank of Sri Lanka under  
Section 83A of the Banking Act, No. 30 of 1988, as amended.

In the exercise of the powers conferred by Section 83A of the Banking Act, No. 30 of 1988 (as amended), the Monetary Board hereby issues the following Conditions amending the Pawning Conditions issued to licensed commercial banks dated 07 September 1998.

2. The following new Conditions shall be included immediately after Condition 15(8) of Pawning Conditions issued to licensed commercial banks dated 07 September 1998.

- Sale of Pledges
15. (9) A Pawnee shall report details of purchases of articles where total value is Rs.500,000 or above at auctions of pawned articles, each month to the Director of Bank Supervision on or before the 15th day of the following month in the format set out in Schedule 8 annexed hereto.
15. (10) A Pawnee shall report if there is reason to suspect that there is collusion between two or more parties with a view to buying large quantities of gold.
15. (11) A Pawnee shall identify and report any purchases of suspicious transactions arising from purchases of gold articles from auctions of pawned articles to the Director Financial Intelligence Unit (FIU) through the Compliance Officer of the bank designated under the Financial Transactions Reporting Act No. 6 of 2006. A suspicious transaction shall have the same meaning as in Sections 6 and 7 of the Financial Transactions Reporting Act No. 6 of 2006 and the Circular 03/12 dated 22 March 2012 issued by the Director of FIU.

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

[PARAGRAPH 15 (9)]

8th Schedule

### REPORTING OF DETAILS OF BULK PURCHASERS OF PAWNED ARTICLES ABOVE A THRESHOLD

Name of the Bank: .....

For the month of ..... Year .....

Date of Auction	Details of the Purchaser			Branch/Venue	Weight	Value of proceeds
	Name	NIC No.	Address			

The bank shall email these details to banksup@cbsl.lk each month, on or before the 15th day of the following month.

Date: .....

.....  
 Name and designation of authorised officer

Banking Act Circular No. 02 of 2017

26 May 2017

### INTEREST RATES ON CREDIT PRODUCTS

Instructions of the Monetary Board on interest rates on credit cards and other loans and advances and penal interest rates charged on overdue loans and advances by licensed banks are hereby issued for implementation commencing 01 July 2017.

1. Interest Rates            1.1    Commencing 01 July 2017, licensed banks may offer or charge interest rates on credit products as per their policies.
2. Adequate Disclosures   2.1    Licensed banks shall publish:
- (i) Applicable interest rates per annum on credit products, in a legible manner when promoting credit products in any media at all times.
- (ii) Applicable penal interest rates per annum, if any, and the basis of computation, at least in the bank's website for the information of the public and shall be updated regularly to reflect the current rates.
- 2.2    Licensed banks shall inform the borrowing customers of:
- (i) Applicable interest rates on credit products prior to completion of credit documentation with respective borrowers.
- (ii) Any subsequent changes to the interest rates prior to effecting such revision to existing credit.
- (iii) Applicable penal interest rates, if any, and the basis of computing such rates prior to charging of penal interest at the point of such overdue credit.

- |    |                                       |     |  |
|----|---------------------------------------|-----|--|
| 3. | Basis of Computing the Penal Interest | 3.1 | Penal interest, if any, shall be charged only for the amount in arrears during the overdue period.   |
| 4. | Weekly Reporting                      | 4.1 | Licensed Banks shall report interest rates on all loans and advances and penal interest rates through the Web Based Off-Site Surveillance System return BSD-WF-13-IR-Interest Rates.   |
| 5. | Revocation of previous circulars      | 5.1 | The following circulars applicable to interest rates issued by the Director of Bank Supervision are hereby revoked:<br>(i) Circular Ref. No. 02/17/600/002/001 dated 21 September 2010 on Reduction of Interest Rates.<br>(ii) Circular Ref. No. 02/17/600/002/001 dated 17 April 2012 on Interest Rates on Credit Cards and Housing Loans.<br>(iii) Circular Ref. No. 02/17/600/002/001 dated 07 June 2013 on Interest Rates on Credit Cards and Other Loans and Advances.<br>(iv) Circular Ref. No. 02/17/600/002/001 dated 26 July 2013 on Cap on Penal Interest Rates Charged by Licensed Banks on Loans and Advances. |

A A M Thassim  
**Director of Bank Supervision**

**Banking Act Circular No. 03 of 2017**

29 May 2017

### CONCESSIONS IN RESPECT OF CREDIT GRANTED TO FLOOD AFFECTED BORROWERS

Licensed banks may grant the following concessions on a case-by-case basis to their borrowers who have been affected by the recent floods, adverse weather conditions and connected circumstances in terms of the national policy adopted to facilitate rehabilitation of businesses and normal operations of such borrowers in the national interest.

- |    |                |     |   |
|----|----------------|-----|---|
| 1. | Moratorium     | 1.1 | Grant a moratorium of not exceeding 3 months with effect from today in respect of all performing credit facilities of borrowers as at 25 May 2017, which have been affected by floods, adverse weather conditions and connected circumstances.  |
| 2. | Penal interest | 2.1 | Waive the penal interest on overdue loans of the borrowers under the above moratorium and non-performing borrowers as affected above who are willing to settle their loans on rescheduled terms as agreed with banks in order for them to recommence/restructure their business activities. |
| 3. | Reporting      | 3.1 | Licensed banks shall maintain necessary documents to substantiate grant of such concessions.  |
|    |                | 3.2 | Licensed banks shall report details of such borrowers in the annexed format to the Director of Bank Supervision by 30 June 2017.  |

**Actg. Director of Bank Supervision**

**Circular No. 03 of 2017**

**Annex**

### CONCESSIONS IN RESPECT OF CREDIT GRANTED TO FLOOD AFFECTED BORROWERS DETAILS OF BORROWERS AFFECTED BY RECENT FLOODS

Name of Bank:

Serial Number	Name of Borrower	Name of Branch	Divisional Secretariat	Purpose of Loan	Amount Outstanding Rs. '000s (As at 25.05.2017)

I certify that the information submitted in the above return is to the best of my knowledge and belief, correct.

.....  
Name and designation of authorised officer

Please email to [dbsd@cbsl.lk](mailto:dbsd@cbsl.lk) by 30 June 2017

**Banking Act Directions No. 04 of 2017**

31 May 2017

**AMENDMENT TO DIRECTIONS ON THE LOAN TO VALUE RATIOS FOR CREDIT FACILITIES IN RESPECT OF MOTOR VEHICLES**

The Directions 5.1 and 5.4 of the Banking Act Directions No. 02 of 2017 on Amendment to Directions on the Loan to Value Ratios for Credit Facilities in Respect of Motor Vehicles are amended by replacing the following:

5. Interpretations
- 5.1 Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilisation of vehicles by end-users.
- 5.2 The vehicle classes provided by the Department of Motor Traffic (DMT) may be categorised for the purpose of the Direction as in Table 1 below:

Table 1 – Categorisation of DMT Vehicle Classes		
Vehicle Category	Vehicle Class of DMT	LTV
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J	90%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	50%
Three wheelers	B1	25%
Any other vehicle	A1, A, light trucks & single cabs categorized under B	70%

Dr. Indrajit Coomaraswamy  
Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka

**Banking Act Determination No. 02 of 2017**

19 September 2017

**ANNUAL LICENCE FEE OF LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

Determination made by the Monetary Board of the Central Bank of Sri Lanka under Sections 8 and 76D(6) of the Banking Act, No. 30 of 1988, as amended.

In terms of Sections 8(l) and 76D(6) of the Banking Act, the Monetary Board has determined that every licensed commercial bank and licensed specialised bank shall pay the licence fee in respect of the calendar year 2018 to the Central Bank of Sri Lanka on or before 31st day of January of 2018, based on the total assets of such bank as at end of 2017, as set out in the table below.

Total Assets as at the end of 2017 (Rs. Bn)	Licence Fee (Rs. Mn)
Above 750	30.0
Above 500 to 750	25.0
Above 200 to 500	22.0
Above 125 to 200	16.5
Above 75 to 125	11.0
25 to 75	5.5
Less than 25	2.2

Paragraph No. 01 of the Banking Act Determination issued with respect to Section 8 of the Banking Act on licence fee to be paid with effect from 01.01.1989 is hereby revoked.

Dr. Indrajit Coomaraswamy  
Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka

**Banking Act Directions No. 05 of 2017**

26 October 2017

**ENHANCEMENT OF MINIMUM CAPITAL REQUIREMENT OF BANKS**

In terms of Sections 46(1) and 76J(1) read with Sections 19(3) and 76G, respectively, of the Banking Act, No. 30 of 1988, last amended by the Banking Act, No. 46 of 2006, the Monetary Board has determined with the concurrence of the Minister to increase the minimum capital requirements for licensed commercial banks (LCBs) and licensed specialised banks (LSBs), respectively:

1. Empowerment under the Banking Act
  - 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any LCB or LSB, respectively, regarding the manner in which any aspect of the business of such banks is to be conducted.
  - 1.2 In terms of the provisions of Sections 19(3) and 76G of the Banking Act, the Monetary Board may vary the amounts specified as the minimum amount of capital required to be maintained by LCBs and LSBs, respectively, having regard to the assets, liabilities and the viability and stability of the banking system and the interest of the national economy.
2. Minimum Capital Requirements
  - 2.1 Commencing 31.12.2020, the minimum capital requirement of all existing LCBs and LSBs shall be as given in Table 1:

Type of Bank	Amount (Rs. Bn)
Locally Incorporated LCBs	20.0
Banks Incorporated Outside Sri Lanka	
- with assets over Rs.100 Bn	10.0
- with assets upto Rs.100 Bn	5.0
Locally Incorporated LSBs	7.5

3. Interpretation
  - 3.1 Capital for this purpose shall mean the sum of the following Web Based Return Codes of Appendix I of Schedule I to the Banking Act Direction No. 01 of 2016 dated 29 December 2016 on Capital Requirements under Basel III for LCBs and LSBs.

Web Based Return Codes	Item
20.2.1.1.1.1	Equity capital or stated capital/assigned capital
20.2.1.1.1.2	Reserve fund
20.2.1.1.1.3	Published retained earnings/(Accumulated retained losses)
20.2.1.1.1.5	General or other disclosed reserves
20.2.1.1.1.6	Only unpublished current year's profit/(losses) included in this Web based return code
20.2.2.1.1.1	Qualifying additional Tier I capital instruments

4. Capital Planning Process
  - 4.1 LCBs and LSBs shall, where necessary, include capital augmentation plans to meet the above capital requirements in the annual Internal Capital Adequacy Assessment Process (ICAAP) and submit such ICAAP document to the Director of Bank Supervision.
5. Steps to Secure Compliance
  - 5.1 Where an LCB or LSB has failed to comply with these Directions, such LCB or LSB shall not pay dividends or repatriate profits or adopt any other measure that will further deteriorate the capital of such LCB or LSB until such compliance is effected and confirmed by the Director of Bank Supervision.
  - 5.2 Restrictions in terms of asset growth and branch expansion will be imposed on LCBs and LSBs which are non-compliant with the above Directions.

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

**Banking Act Directions No. 06 of 2017**

29 November 2017

**FINANCIAL DERIVATIVE TRANSACTIONS FOR  
 LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

The Monetary Board issues the following Directions on Financial Derivative Transactions for Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs).

- |    |   |     |   |
|----|---|-----|---|
| 1. | Empowerment under the Banking Act       | 1.1 | In terms of Sections 46(1) and 76J(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any LCB and LSB, respectively, regarding the manner in which any aspect of the business of such banks is to be conducted.   |
| 2. | Applicability                           | 2.1 | These Directions will cover derivative transactions in foreign currency of LCBs and LSBs which are authorised to offer such derivative transactions in terms of the Foreign Exchange Act of Sri Lanka. The LCBs and LSBs shall hereinafter be referred to as Eligible Banks (EBs).  |
|    |   | 2.2 | These Directions shall be applicable to the Domestic Banking Units (DBUs) and Off-shore Banking Units (OBUs) of EBs.  |
| 3. | Commencement of derivative transactions | 3.1 | LCBs which intend to engage in financial derivative transactions shall notify its interest, prior to the commencement of the initial transaction, to the Director of Bank Supervision (DBS) with a copy to the Director of International Operations Department of the Central Bank of Sri Lanka (CBSL).   |
|    |   | 3.1 | LSBs shall obtain the written approval of DBS to engage in each derivative specified in 5.2.  |
| 4. | Board approved policies and procedures  | 4.1 | EBs shall have in place Board approved policies and procedures on derivative transactions and risk management framework to identify, quantify and evaluate the exposures, manage risk and monitor performances related to derivative transactions.  |
|    |   | 4.2 | EBs shall ensure that appropriate expertise and capacity building are in place to engage in financial derivative transactions.  |
| 5. | General Terms and Conditions            | 5.1 | Derivatives transactions may be entered into for the following purposes: <ul style="list-style-type: none"> <li>(a) <b>End User (EU) Deals:</b> Transactions for the purpose of hedging EBs own assets and liabilities (other than the assigned capital and retained earnings) and managing their own risk profile as may be necessary from time to time, however, not for speculative purposes.</li> <li>(b) <b>Non Market Maker (NMM) Deals:</b> Transactions executed by EBs with their customers, i.e., any party other than an EB or with another EB with the intention of making a spread. In these transactions an EB shall not take any market risk into its own books and shall cover the transaction on the same day on a back-to-back basis with another EB in Sri Lanka or with a foreign counterparty.</li> <li>(b) <b>Derivative Market Maker (DMM) Deals:</b> Transactions executed by EBs with their customers or with another EB while taking the market risk into its own books.</li> </ul> |
|    |   | 5.2 | Derivatives permitted under these Directions are as follows: <ul style="list-style-type: none"> <li>a) Swaps</li> <li>b) Options</li> <li>c) Forward Rate Agreements</li> <li>d) Forward Contracts</li> <li>e) Swaptions</li> <li>f) Such other instruments as may be specified by the Monetary Board from time to time.</li> </ul>   |
|    |   | 5.3 | EBs shall ensure the following: <ul style="list-style-type: none"> <li>(a) all derivatives offered to customers are based on valid underlying transactions which include current account transactions and permitted capital account transactions.</li> <li>(b) the use of permitted derivatives is only for the purpose of hedging or managing the risk arising from assets or liabilities of customers or valid transactions and not for speculative purposes.</li> <li>(c) the notional principal amount, including any leverage of the derivative shall not exceed the outstanding amount of the underlying transaction/asset or liability or the underlying exposure.</li> </ul>  |
|    |   | 5.4 | EBs shall use products listed in 5.2 above to enter in to back to back transactions with a foreign counterpart.   |
|    |   | 5.5 | EBs are permitted to hedge contingent exposures or such risks arising from balance sheet exposures of their customers.  |
|    |   | 5.6 | EBs may allow importers and exporters to hedge their exposure including a contract based on estimated transaction value. The estimated transaction value shall be determined based on their audited financials or by averaging the preceding three contract values or immediately preceding contract value, whichever is higher, subject to confirmation by an EB.  |
|    |   | 5.7 | Parties may unwind/sell back a derivative partially or fully, if they consider such a derivative is no longer required, as follows:   |

- (a) all derivative contracts once unwound are eligible to be rebooked, subject to the terms specified in these Directions.
- (b) any customer who wishes to unwind a derivative contract before maturity while the underlying transaction still exists may do so with the marked-to-market loss charged to such customer.
- (c) a marked-to-market gain (financial gain) should not be paid to the customer.
- (d) the rate benefit, if any, may be passed to the customer at the time of rebooking.
- 5.8 In case of insolvency, if the claim of the counterparty provides for the netting of the mutual transaction between the insolvent party and the creditor, the amount payable by one party shall be set off against the amount payable by the other party, and only the net balance shall be paid or received.
- 5.9 The cost of a derivative transaction with non-residents shall be paid out of repatriable funds and/or inward remittances through normal banking channels.
- 5.10 All derivatives entered in to by an EB under Directions on Financial Derivative Products issued on 01 August 2009 (Ref: 33/03/001/0029/002) and Directions to Authorized Dealers on Forward Contracts in Foreign Currencies issued on the 11 March 2010 (Ref: 06/04/02/2010) can be continued till the maturity of the underlying transactions, adhering to the previously issued Directions. The unwound derivative contracts entered under previous Directions can be rebooked only under the terms of the new Directions.
- 5.11 Contracts may be entered into with customers whose underlying transactions are established with another authorised dealer provided documentary evidence is furnished by the said authorised dealer on each transaction.
6. Prohibited Activities 6.1 EBs shall not engage in facilitating derivative transactions on behalf of any foreign counterpart to resident customers unless the resident customer has obtained specific approval of the Head of the Department of Foreign Exchange of CBSL.
- 6.2 EBs shall not enter in to derivative transactions in respect of any foreign currency exposures or risks arising from foreign currency deposits or retained earnings, held overseas.
- 6.3 Derivatives involving making of an upfront payment other than option premiums, in any currency by EB to the customer shall not be permitted.
7. International Swap and Derivative Association (ISDA) 7.1 EBs shall sign ISDA Master Agreement with the counterparty for derivatives, unless otherwise both parties agree to refrain from signing ISDA.
- 7.2 EBs shall obtain a written consent from the counterparty where it was agreed to refrain from signing ISDA.
- 7.3 EBs shall maintain transaction specific agreements and records.
8. Customer Awareness 8.1 EBs shall ensure that the customers clearly understand the risks of the derivative transactions and that the customers have established sufficient measures to monitor and manage the risks arising from the prospective transactions entering into.
- 8.2 EBs shall provide adequate information on the transaction, especially with regard to the conditions and clauses to be incorporated into the product indicating the relevant benchmarks, fixing rates, strike prices and premium as the case may be, and a detailed risk scenario analysis to ensure the highest level of transparency.
- 8.3 EBs shall obtain a written confirmation from the customer prior to entering into a derivative transaction that the customer has understood the nature of the products and their inherent risks.
- 8.4 EBs shall obtain an undertaking in writing from customers that their total value of the derivative transactions with all EBs do not exceed the exposure or the value of underlying transactions.
- 8.5 EBs shall also satisfy themselves on a professional analysis, of the institutional capacity and the overall suitability of the customer to engage in the derivative products offered by EB prior to entering into such contracts.
9. Eligible Currencies 9.1 EBs shall conduct derivative transactions in designated currencies as per the request of the customer and in accordance with internal policies approved by its Board of Directors.
10. Tenure 10.1 EBs shall ensure that the date of maturity of the derivative contract shall correspond to the maturity date of the underlying transaction and shall not, under any circumstance, extend beyond the date of the underlying transaction, and the maximum maturity period of a derivative transaction shall not exceed ten (10) years.

- |                                    |      |   |
|------------------------------------|------|---|
| 11. Reference/ Valuation Benchmark | 11.1 | The parties involved shall be free to use any benchmark with sufficient transparency on mutual agreement for reference and valuation purposes.  |
| 12. Reporting                      | 12.1 | EBs shall submit to the International Operations Department of CBSL on a monthly basis within 15 days from the end of the month, a statement of the transactions undertaken within the month in the format attached in Annex I.   |
| 13. Definition                     |      | The following definitions shall be applicable for purposes of these Directions.   |
|                                    | 13.1 | <b>Derivative</b><br>A derivative is a financial instrument or a contract as defined in Sri Lanka Accounting Standards.   |
|                                    | 13.2 | <b>Foreign Counterpart</b><br>A foreign counterpart shall mean:<br>a) A bank outside Sri Lanka<br>b) An internationally recognised derivative exchange  |
|                                    | 13.3 | <b>Permitted Derivative Transactions</b><br>(a) <b>Swaps</b><br>A swap is a bilateral agreement to exchange cash flows at specified intervals (payment dates) during the agreed-upon life of the transaction (maturity or tenure). Entering into a swap typically does not require the payment of a fee. Under this direction EBs are eligible to enter into interest rate, cross-currency and commodity swaps.<br>(b) <b>Options</b><br>An option is an agreement that gives the buyer, who pays a fee (premium), the right but not the obligation to buy or sell a specified amount of an underlying asset at an agreed upon price (strike or exercise price) on or until the expiration of the contract (expiry). A call option is an option to buy the underlying and a put option is an option to sell the underlying. Under this Direction EBs are eligible to issue options based on an underlying interest rate, currency and commodity.<br>(c) <b>Forward Rate Agreements (FRA)</b><br>A forward rate agreement is an interest rate contract between two parties that allows an entity to position itself in the interest rate market. An FRA is a contract that calls for one party to make a fixed interest payment and the other party to make an interest payment at a rate to be determined at the contract expiration based on a notional principal amount. On the expiration date, the payments are net settled.<br>(d) <b>Forward Contract</b><br>In forward contracts, the contract holders are obligated to buy or sell the currency/ commodity at a specified price, at a specified quantity and on a specified future date.<br>(e) <b>Swaptions</b><br>The option to enter into a swap. In exchange for an option premium, the buyer gains the right but not the obligation to enter into a specified swap agreement with the issuer on a specified future date. Under this direction EBs are eligible to issue swaptions based on an underlying transaction such as interest rate, currency and commodity.<br>(f) <b>FX Swaps</b><br>FX swap is a simultaneous purchase and sale or vice versa of identical amounts of one currency for another with two different value dates. |
| 14. Revocation                     | 14.1 | The Directions on Financial Derivative Products issued on 01 August 2009, Ref: 33/03/001/0029/002 by the Controller of Exchange and the Director of International Operations and Directions to Authorized Dealers on Forward Sales and Purchases of Foreign Exchange issued on 02 January 2013, Ref: 06/04/04/2013 by the Controller of Exchange are hereby revoked   |
| 15. Implementation                 | 15.1 | These Directions shall be effective from 01 January 2018.   |

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka**



## Banking Act Directions No. 06 of 2017

Annex I

**FINANCIAL DERIVATIVE TRANSACTIONS FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS**

Bank - .....

Month /Year...../.....

Table 01 - Monthly Derivative Product Transactions

Product Type: Swaps

Deal Date	Product	Counterparty/ Customer	Notional Principal		Maturity Date	Nature of underlying transaction	Details of back to back transaction	Uncovered Exposure	Reference Benchmark	Remarks
			Currency	Amount						

Table 02 - Monthly Derivative Product Transactions

Product Type: Forwards

Deal Date	Counterparty/ Customer	Buy/Sell	Maturity Date	Currency	Amount	Forward Rate	Back to Back Deal (Y/N)	Back to Back Counterparty	Underlying Transaction	Remarks

Table 03 - Monthly Derivative Product Transactions

Product Type: Currency Options

Deal Date	Counterparty/ Customer	Option Exercise Date	Bank Call		Bank Put		Strike price	Back to Back Deal (Y/N)	Back to back counterparty	Nature of underlying transaction	Remarks
			CCY*	Amount	CCY*	Amount					

\*CCY - Currency

Table 04 - Monthly Derivative Product Transactions

Product Type: Options

Deal Date	Counterparty/ Customer	Product	Maturity Date	Currency	Amount	Deal Rate	Back to Back Deal (Y/N)	Back to Back Counterparty	Underlying Transaction	Remarks

Table 05 - Transaction Cancelled and Wound-up (Premature)

Deal Date	Product as reported to CBSL	Customer/ Counterparty	Notional Principle	Reference to original transaction already reported to the CBSL	Original Date of Maturity	Date of cancellation or winding up	Details of Back to Back Transaction	Reference/ Benchmark	Remarks/ Reasons for cancellation

To be reported within 15 days from the end of the month to the International Operations Department of the Central Bank of Sri Lanka through [dfx@cbsl.lk](mailto:dfx@cbsl.lk).

## Banking Act Directions No. 07 of 2017

12 December 2017

**FOREIGN CURRENCY BORROWINGS BY LICENSED BANKS**

Foreign currency borrowings are an important source of funding for banks. However, excessive and unregulated foreign capital flows are likely to cause unwarranted macroeconomic and financial stability concerns in a country.

The Monetary Board introduces a policy framework for foreign currency borrowings of licensed banks with the objectives of addressing the high dependence on foreign currency borrowings and the resulting exposure of licensed banks to foreign exchange risk and minimising the pressure on the reserves and exchange rate of the country arising from large borrowings in foreign currency.

Accordingly, the Monetary Board issues Directions to licensed commercial banks (LCB) and licensed specialised banks (LSB) as follows:

1. Empowerment under the Banking Act 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any LCB and LSB, respectively, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
2. Applicability 2.1 These Directions shall be applicable to all foreign currency borrowings of LCBs and LSBs, hereinafter referred to as licensed banks.
3. Tenure 3.1 Foreign currency borrowings with a remaining maturity of:  
(i) 3 years or less will be considered as short-term borrowings; and  
(ii) more than 3 years will be considered as long-term borrowings.
4. Limits on Foreign Currency Borrowings 4.1 The maximum outstanding amount of foreign currency borrowings obtained by a licensed bank shall be determined as a percentage of total assets as per the latest audited accounts.  
4.2 The percentage of foreign currency borrowings of a licensed bank shall be based on the sum of scores assigned for each licensed bank based on the external long term credit rating and the total capital ratio of the bank as given in Tables 1 and 2 below:
- | Bank's Credit Rating       | Bank's Total Capital Ratio | Score Assigned to Each Cell |
|----------------------------|----------------------------|-----------------------------|
| AAA to AA- or equivalent   | > 14.0%                    | 3                           |
| A+ to A- or equivalent     | 13.6% - 14.0%              | 2                           |
| BBB+ to BBB- or equivalent | 12.5% - 13.5%              | 1                           |
| Below BBB-                 | < 12.5%                    | 0                           |
- | Sum of Score | Short-Term | Total |
|--------------|------------|-------|
| 1 - 2        | 1.5%       | 5.0%  |
| 3 - 4        | 1.5%       | 7.5%  |
| 5 - 6        | 1.5%       | 10.0% |
5. Approval of the Monetary Board 5.1 Any foreign currency borrowings in excess of limits specified in Direction 4 above shall be undertaken with the prior written approval of the Monetary Board, under exceptional circumstances of national interest.  
5.2 The Monetary Board may grant such approval to exceed the applicable limit of foreign currency borrowings of a licensed bank by 5% of assets, on a case-by-case basis, subject to terms and conditions it may deem fit, taking into consideration of the macroprudential aspects and provisions in Directions 6, 7 and 8 below.  
5.3 Borrowings approved by the Monetary Board under the Direction 5.2 above shall be undertaken within 3 months from the date of the approval of the Monetary Board.
6. General Terms and Conditions 6.1 All foreign currency borrowings of a licensed bank shall be approved by the Board of Directors of the bank.  
6.2 Licensed banks shall comply with all prudential requirements at all times, including, but not limited to, minimum capital under Basel III, Statutory Liquid Assets Ratios, Liquidity Coverage Ratio and Net Open Position.  
6.3 Licensed banks shall hedge interest rate and foreign exchange risks and manage the maturity mismatch arising from foreign currency borrowings.  
6.4 Hedging with an international counterparty is encouraged where the foreign currency borrowed is converted to another foreign currency.  
6.5 Foreign currency borrowings with a maturity of less than a year shall not be utilised to grant credit facilities with a maturity of more than a year.  
6.6 Licensed banks shall prove their ability to service repayments of foreign currency borrowing in a timely manner.
7. Eligible Foreign Currency Borrowings 7.1 Lender should have a good track record as a stable financial institution. Possible lenders are:  
(i) Multilateral Development Banks  
(ii) Banks with international repute  
(iii) Foreign Government owned or affiliated agencies  
(iv) Head Office and branches of foreign banks  
7.2 Interest rates (inclusive of all related costs) of the borrowing shall be competitive.

	7.3	Borrowings shall not be settled prior to the initial specified date of settlement and shall not carry call or put option features.
	7.4	Bunching effect from repayments shall not arise.
	7.5	Borrowings shall not result in excessive credit growth.
8. Utilisation of Foreign Currency Borrowings	8.1	Long-term foreign currency borrowings shall be utilised for lending/investment purposes in the country to: <ul style="list-style-type: none"> <li>(i) fund exports, import substitution, infrastructure, government development projects and small and medium enterprises</li> <li>(ii) settle or retire current foreign currency loans</li> <li>(iii) invest in Sovereign Debt of the Government of Sri Lanka and activities of national importance</li> </ul>
9. Application to be submitted	9.1	Licensed banks may submit a written request with following details to obtain the Monetary Board approval under Direction 5 above: <ul style="list-style-type: none"> <li>(i) Profile of the Lender</li> <li>(ii) Features of the Loan</li> <li>(iii) Specific purpose/objectives with targets</li> <li>(iv) Performance status of existing foreign currency loans</li> <li>(v) Proposed risk management mechanism</li> </ul>
10. Exclusion from the maximum limits	10.1	Foreign currency borrowings from the Head Office or any branch operating outside Sri Lanka of an LCB incorporated outside Sri Lanka will be exempted from the limits specified in Direction 4 above, provided the proceeds are used for the intended purpose the borrowing is obtained.
	10.2	Borrowings utilised for investments in Development Bonds, Sovereign Bonds and Treasury Bonds issued by the Government of Sri Lanka, held to maturity for more than 3 years.
11. Interpretations	11.1	Total assets shall be the amount as per the latest audited statements.
	11.2	Foreign currency shall mean any designated foreign currency.
12. Implementation	12.1	These Directions shall come into effect from 01 January 2018.
13. Transitional Arrangement	13.1	Any licensed bank which has obtained foreign currency borrowings in excess of the maximum limit specified under Direction 4 above shall not be permitted to borrow further, until such time the outstanding amount of foreign currency borrowings falls below the maximum limit.
	13.2	Approvals granted by the Monetary Board to a licensed bank to exceed the maximum limits on foreign currency borrowings prior to these Directions will lapse by 31 March 2018.
14. Revocation	14.1	The Circular No. BD/FX/196 dated 13 January 1997 issued by the Chief Accountant is hereby revoked.

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka**

Directions Under Exchange Control Act No: 01 of 2017

07 March 2017

### DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON LOANS TO SRI LANKANS, RESIDENT OUTSIDE SRI LANKA ON PERMANENT RESIDENCY VISA (PR) IN ANOTHER COUNTRY AND DUAL CITIZENS

In terms of Sections 3 and 5 of the Exchange Control Act, Authorized Dealers are hereby granted permission to grant loans from the Domestic Banking Units (DBUs) to Sri Lankans, resident outside Sri Lanka on PR in another country and individuals who have obtained dual citizenship in Sri Lanka and any other country irrespective of their residential status, subject to the following conditions.

#### 1. Purpose of granting the loans

- 1.1 To acquire a residential property in Sri Lanka.
- 1.2 To construct/develop/renovate a residential property in Sri Lanka.

#### 2. Loans granted in Foreign Currency (FCY loans)

- 2.1 FCY loans shall be granted only if the borrower has foreign currency earnings to repay the loan and the Authorized Dealers shall assess and satisfy themselves on the ability of the borrower to repay the loan in foreign currency prior to granting the loan.
- 2.2 FCY loans shall not be granted if the Authorized Dealers cannot firmly establish the repayment capacity of the borrower in foreign currency.

- 2.3 A Foreign Currency Loan Account (FCLA) shall be opened in the name of the borrower, for the purposes of disbursing the loan proceeds and receiving repayments of the loan. The said account shall be closed immediately after settling the loan in full.
- 2.4 Loan proceeds shall be disbursed from the FCLA in Sri Lanka Rupees unless the borrower requests to transfer the loan proceeds to foreign currency accounts maintained by persons resident in Sri Lanka, who sell residential property, provided such persons are permitted to accept foreign currency.
- 2.5 The loan shall be repaid through foreign currency inward remittances or by utilizing funds available in Non-Resident Foreign Currency accounts (NRFC), Resident Foreign Currency accounts (RFC) and Securities Investment Accounts (SIA) of the borrower.

### 3. Loans granted in Sri Lanka Rupees (LKR loans)

- 3.1 Authorized Dealers shall grant LKR loans after assessing and satisfying on the ability to repay the loans.
- 3.2 An LKR Loan Account (LLA) shall be opened in the name of the borrower for the purposes of disbursing the loan proceeds and receiving repayments of the loan.
- 3.3 Loan proceeds shall be disbursed only in Sri Lanka Rupees.
- 3.4 The loan shall be repaid with foreign currency inward remittances, by utilizing funds available in NRFC, RFC and SIA and by utilizing Sri Lanka Rupee earnings of the borrower.

### 4. Loans recovery at default

Recoveries of FCY loans in Sri Lanka Rupees shall be carried out only at a stage of such loans being classified as non-performing at least in the substandard category, in terms of the Banking Act Directions, No. 3 of 2008 (as amended), as follows:

- a) Firstly, through foreign currency assets of the borrower.
- b) Secondly, through proceeds realized from the sale of the mortgaged assets or other domestic assets.
- c) As a last resort, Sri Lanka Rupee proceeds shall be converted only up to the extent of the amount required to settle any remaining loan balance.

### 5. Other Conditions

- 5.1 Authorized Dealers shall assess all risks associated with the loan and take appropriate prudent measures to mitigate such risks.
- 5.2 Authorized Dealers shall obtain a valuation of the property from a valuer selected in terms of the prudential regulations issued under the Banking Act, prior to issuing the loan, if the loan proceeds are utilized for the construction/development/renovation in an inherited property of the borrower or in a property owned by the borrower while being resident in Sri Lanka.
- 5.3 Authorized Dealers shall ensure that sale proceeds derived from property that was acquired/constructed/developed/renovated utilizing loan proceeds in terms of paragraph 5.2 are remitted outside Sri Lanka on the following basis.
  - a) Sale proceeds proportionate to the amount remitted to Sri Lanka to repay the loan could be remitted freely.
  - b) Any balance sale proceeds shall be remitted subject to the migration allowance.
- 5.4 A confirmation of inward remittances utilized for servicing the loan shall be issued to the borrower to facilitate future outward remittances.
- 5.5 Authorized Dealers shall maintain documentary evidence obtained at the time of granting the loan beyond any statutory record keeping requirement, until the loan is settled in full. Once the loan is settled, the related documentary evidence shall be maintained up to the statutory record keeping requirement.

**Controller of Exchange**

**Directions Under Exchange Control Act No. 02 of 2017**

07 March 2017

#### **DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON LOANS TO SRI LANKANS, RESIDENT OUTSIDE SRI LANKA ON PERMANENT RESIDENCY VISA (PR) IN ANOTHER COUNTRY AND DUAL CITIZENS**

In terms of Sections 3 and 5 of the Exchange Control Act, Authorized Dealers are hereby granted permission to accept credits and debits to the following accounts, in order to facilitate transactions arising from the Directions No. 01 of 2017 dated 07 March 2017.

1. **Directions No. 1 of 2016 and Directions No. 5 of 2016 issued on Non-Resident Foreign Currency (NRFC) Accounts**  
Paragraph 1.4 is amended by inserting the following.  
(i) Transfer of funds to a Foreign Currency Loan Account (FCLA) or an LKR Loan Account (LLA) of the same account holder.
2. **Directions No. 2 of 2016 and Directions No. 6 of 2016 issued on Resident Foreign Currency (RFC) Accounts**  
Paragraph 1.4 is amended by inserting the following.  
(h) Transfer of funds to a Foreign Currency Loan Account (FCLA) or an LKR Loan Account (LLA) of the same account holder.
3. **Directions No. 06/04/18/2013 dated 12 June 2013 issued on Securities Investment Accounts (SIA)**  
Paragraph 4 is amended by inserting the following.  
(vi) Transfer of funds to a Foreign Currency Loan Account (FCLA) or an LKR Loan Account (LLA) of the same account holder.
4. **Directions No. 4 of 2016 and Directions No. 8 of 2016 issued on Foreign Exchange Earners' Accounts (FEEA)**  
Paragraph 1.4 is amended by inserting the following.  
(t) Funds transferred from a Foreign Currency Loan Account (FCLA) for the purpose of acquisition/ construction /development and renovation.

**Controller of Exchange**

**Directions Under Exchange Control Act No: 07 of 2017**

05 July 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON FOREIGN CURRENCY ACCOUNTS FOR INTERNATIONAL SERVICES PROVIDERS & THEIR EMPLOYEES (FCAISPE)**

In terms of Section 3 read with Section 45 of the Exchange Control Act, Authorized Dealers are hereby informed that opening of new FCAISPE under Directions 06/04/05/2010 dated 07.05.2010 and 06/04/06/2014 dated 25.05.2014 is hereby withdrawn in the absence of the income tax exemptions granted for the professional service providers who involve in the 'Exempt projects' under the provisions of Inland Revenue Act No. 10 of 2006, with the subsequent amendments made in the Inland Revenue (Amendment) Act, No. 9 of 2015 with regard to concessionary rates applicable to employees of companies which provide services outside Sri Lanka

**Controller of Exchange**

**The Gazette of the Democratic Socialist Republic of Sri Lanka  
EXTRAORDINARY**

No. 2043/31 - TUESDAY, OCTOBER 31, 2017  
(Published by Authority)

**PART I : SECTION (I) — GENERAL  
Government Notifications  
FOREIGN EXCHANGE ACT, NO. 12 OF 2017**

**Order under Section 1**

BY virtue of the powers vested in me by Section 1 of the Foreign Exchange Act, No. 12 of 2017, I, Ranil Wickramasinghe, Minister of National Policies and Economic Affairs, do by this Order appoint November 20, 2017 as the date on which the aforesaid Act shall come into operation.

The Order made under Section 1 of the aforesaid Act, and published in *Gazette Extraordinary* No. 2040/43 of October 13, 2017 is hereby revoked.

RANIL WICKRAMASINGHE,  
Minister of National Policies and Economic Affairs

Colombo,  
31st October, 2017.

**The Gazette of the Democratic Socialist Republic of Sri Lanka****EXTRAORDINARY**

No. 2045/56 - FRIDAY, NOVEMBER 17, 2017

(Published by Authority)

**PART I : SECTION (I) — GENERAL****Government Notifications****FOREIGN EXCHANGE ACT, NO. 12 OF 2017****L.D. B. 10/2017**

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

RANIL WICKRAMASINGHE,

**Minister of National Policies and Economic Affairs**Colombo,  
17 November, 2017.**Regulations**

1. These regulations shall be cited as the Foreign Exchange (Capital Transactions in Foreign Exchange Carried On by Authorized Dealers) Regulations No. 1 of 2017 and shall come into operation on the date on which the Act comes into operation.

**PART I****CLASSES OF CAPITAL TRANSACTIONS**

2. (1) Following capital transactions shall be authorized classes of capital transactions in foreign exchange carried on by licensed commercial banks as authorized dealers :-
  - (a) capital transactions undertaken outside Sri Lanka by a person resident in Sri Lanka subject to such limits, terms and conditions specified in Schedule I to these regulations;
  - (b) capital transactions undertaken in Sri Lanka by a person resident outside Sri Lanka subject to such limits, terms and condition specified in Schedule II to these regulations; and
  - (c) capital transactions undertaken under any approval (general or special) granted under the provisions of the repealed Exchange Control Act, subject to such limits, terms and condition specified in Schedule III to these regulations.

(2) Other capital transactions specified in Schedule IV to these regulations shall be carried on by licensed commercial banks as authorized dealers and licensed specialized banks deemed to have been authorized to deal in foreign exchange under Section 4 (1)(d) of the Act and licensed specialized banks which may be authorized by the Central Bank to deal in foreign exchange under Section 4(1)(c) of the Act, as authorized dealers, subject to such limits, terms and conditions as specified in Schedule IV.
3. (1) Any person specified under heading H of Schedule IV who intends to open, maintain and operate an account within a bank outside Sri Lanka and close such accounts may do so for the purposes of these regulations.
  - (2) An Account opened under paragraph (1) may be credited with foreign currency received or acquired legally outside Sri Lanka or obtained from an authorized dealer or a person in Sri Lanka specified in paragraph 1 of heading H of Schedule IV for a foreign currency transaction of the account holder permitted under the provisions of the Act.
  - (3) Funds of the accounts opened under paragraph (1) may be utilized towards any foreign exchange transaction of the account holder permitted for a person resident in Sri Lanka under the provisions of the Act.

- (4) Subject to the conditions specified in paragraph (5), where an account opened and maintained with a foreign bank in accordance with the permission granted under paragraph (1) is closed, the balance in the account shall be repatriated to Sri Lanka through banking channels, within one month of such closure of the account.
- (5) Where a person who is permitted to open and maintain an account outside Sri Lanka under item (g) of heading H of Schedule IV above is refused student visa by such country or decides not to embark on studies after obtaining student visa, such person shall repatriate all monies lying to the credit of the account opened by such person outside Sri Lanka under this permission within one month from the date of such decision.

## PART II

### GENERAL CONDITIONS & C

4. (1) Every licensed commercial bank as an authorized dealer, person engaged in capital transactions through a licensed commercial bank as an authorized dealer, issuers of securities and borrowers shall retain all information and documentary evidence in proof that capital transactions they engaged in are permitted transactions under these regulations, for a period of six years from each such transaction.
- (2) In the case of investments in securities, obtaining of loans and guaranteeing liabilities, such information shall be retained for a period of six years from the date of disposal of such securities, repayment of loan or expiry of guarantee.
- (3) Any person engaged in a capital transaction permitted under these regulations through a licensed commercial bank as an authorized dealer shall retain and maintain proper legally acceptable documentary evidence on inflows or outflows of funds, disposal or acquisition of assets, receipts of income or returns on capital transactions and any other documentary evidence which substantially prove the legality of such transactions.
- (4) Every licensed commercial bank as an authorized dealer and every person engaged in capital transactions through a licensed commercial bank as an authorized dealer shall facilitate compliance with the provisions of these regulations by providing necessary documents at the time of such transactions.
5. For the purpose of these regulations-
  - “Act” means the Foreign Exchange Act, No. 12 of 2017;
  - “authorized dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
  - “capital transaction” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
  - “licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
  - “repealed Exchange Control Act” means the Exchange Control Act (Chapter 423).

## SCHEDULE I

(Regulation 2 (a))

### CAPITAL TRANSACTIONS UNDERTAKEN OUTSIDE SRI LANKA BY PERSONS RESIDENT IN SRI LANKA

1. Any eligible resident investor may purchase foreign exchange from any licensed commercial bank as an authorized dealer to make payments to persons resident outside Sri Lanka for the capital transactions for following purposes:
  - (a) to acquire and hold shares and debt securities of companies incorporated outside Sri Lanka (an overseas company), units in regulated unit trusts and mutual funds and sovereign bonds issued by foreign governments rated at or above the sovereign credit rating of Sri Lanka at the time of the investment,
  - (b) to set up and maintain a branch, liaison, marketing, agency, project, representative or other similar office (Overseas office) in a foreign country (other than by an individual).
2. (1) The capital transactions specified in paragraph 1 above shall be subject to the limits specified in Table 1 below and also to the provisions of this Schedule:

**Table 1 – Limits for Outward Investments**

<i>Column I</i>	<i>Column II</i>	<i>Column III</i>
<i>Eligible Resident Investor</i>	<i>Type of Investments/ Instruments</i>	<i>Permitted limit</i>
(i) A company listed in the Colombo Stock Exchange	Shares, Units, Debt Securities and Sovereign Bonds	USD 2,000,000 or an equivalent amount in any foreign currency designated by the Central Bank, per calendar year
(ii) A company not listed in the Colombo Stock Exchange		USD 500,000 or an equivalent amount in any foreign currency designated by the Central Bank, per calendar year
(iii) A partnership registered in Sri Lanka		USD. 300,000 or an equivalent amount in any foreign currency designated by the Central Bank, for life time.
(iv) An individual		USD. 200,000 or an equivalent amount in any foreign currency designated by the Central Bank, for life time.
(v) A company or a partnership	Setting up of Overseas offices	USD. 300,000 or an equivalent amount in any foreign currency designated by the Central Bank, per calendar year.

- (2) The aggregate limits for investments specified in Table 1 above shall consist of the aggregate investments made under these regulations and any outward payment previously made in terms of the general permission granted by the *Gazette* Notification Nos. 1686/50, 1686/52 and 1686/53 of dated January 1, 2011 issued in terms of the repealed Exchange Control Act.
3. Any investment exceeding the limits above shall require a special approval of the Monetary Board in terms of Section 7 of the Act upon applications submitted to the Head of the Department of Foreign Exchange of the Central Bank.
  4. The outward remittances required to make permitted investments shall be made through an Outward Investment Account opened and maintained by the eligible resident investor with a licensed commercial bank as an authorized dealer.
  5. Any income from such investments and disposal proceeds (including any subsequent shares devolving on such investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion) shall be brought into Sri Lanka through the same Outward Investment Account through which the initial investment was made within three months from the date of payment.
  6. Each eligible resident investor shall maintain all Outward Investment Accounts with one licensed commercial bank as an authorized dealer and any such investor who requires to open and maintain Outward Investment Accounts with more than one licensed commercial bank as an authorized dealer, shall obtain a special approval from the Head of the Department of Foreign Exchange of the Central Bank by submitting a request through the respective licensed commercial bank as an authorized dealer.
  7. A person resident in Sri Lanka against whom legal proceedings in respect of a prosecution or investigations are pending against such person under the provisions of the repealed Exchange Control Act or this Act shall not be eligible to carry out capital transactions for purposes permitted under this Schedule.
  8. Any eligible resident investor may acquire and hold shares of an overseas company without restriction and irrespective of the limits specified in Table 1 of paragraph 2 of this Schedule, where no consideration has to be paid in respect of permitted investments.
  9. The limits specified in Table 1 of paragraph 2 of this Schedule shall not apply to an individual who is required to effect payment for shares vested in that individual under an Employee Share Ownership Plan or Employee Share Option Scheme offered by an overseas company to the employees of its branch or subsidiary in Sri Lanka. If there is any requirement to make an outward remittance by way of consideration for the receipt of shares mentioned above, to such overseas company on basis of a lump-sum remittance from the subsidiary or branch established in Sri Lanka, such fund transfers may be effected by a licensed commercial bank as an authorized dealer upon satisfying with the *bona fides* of the transaction.
  10. An eligible resident investor may be permitted to make investments for purposes permitted under this Schedule by utilizing funds up to fifty percent of the value of capital gains of previous outward investments credited to the Outward Investment Account, without being subject to the permitted limits specified in the Table 1 of paragraph 2 of this Schedule



## 11. For the purpose of this Schedule–

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Colombo Stock Exchange” means the Colombo Stock Exchange formed and registered under the Companies Act, No. 7 of 2007 and licensed by the Securities and Exchange Commission of Sri Lanka under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987 to operate as a stock exchange;

“eligible resident investor” means an eligible resident investor as specified in column 1 of Table 1 of paragraph 2 above;

“Employee Share Ownership Plan or Employee Share Option Scheme” means a plan or a scheme under which a company incorporated outside Sri Lanka offers an opportunity to acquire its shares or shares of the group of companies, to employees of its branch or subsidiary in Sri Lanka.;

“Monetary Board” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

## SCHEDULE II

(Regulation 2(b))

### CAPITAL TRANSACTIONS UNDERTAKEN IN SRI LANKA BY A PERSON RESIDENT OUTSIDE SRI LANKA

#### A. Permitted Investments

1. Any person resident outside Sri Lanka including country funds, regional funds, investment funds and mutual funds established outside Sri Lanka may engage in the following types of capital transactions in Sri Lanka which requires remittance of foreign exchange into Sri Lanka.
  - (a) subject to the exclusions specified in paragraphs 3 and subject to the limitations specified in paragraph 4 under heading A of this Schedule, invest, acquire or hold all classes of shares or an entitlement to shares (including any subsequent shares devolving on such investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion) issued by Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007;
  - (b) invest, acquire or hold all classes of shares in a company not incorporated in Sri Lanka and listed in the Colombo Stock Exchange;
  - (c) investment in debt securities or granting loans with a tenure of 3 or more years to companies incorporated in Sri Lanka (other than licensed commercial banks, licensed specialized banks, licensed finance companies, specialized leasing companies and companies limited by guarantee and overseas companies) in foreign exchange or in Sri Lanka Rupees;
  - (d) grant loans or invest in debt securities issued in foreign currency or Sri Lanka Rupees by licensed commercial banks, licensed specialized banks, licensed finance companies, specialized leasing companies subject to the approval of the relevant regulatory authorities;
  - (e) subject to the provisions or restrictions in any other written law, investments in-
    - (i) units in Unit Trusts or Mutual Funds;
    - (ii) Government Securities (treasury bills and treasury bonds and any other securities issued by the Government);
    - (iii) securities issued by the Central Bank of Sri Lanka or any other statutory body;
    - (iv) Sri Lanka Development Bonds (SLDBs);
    - (v) deposits in licensed financial Institutions;
    - (vi) immovable properties; or
    - (vii) any other investment categories approved by the Monetary Board in accordance with such directions as may be issued by the Minister.
2. All capital transactions specified in items (a) to (e) of paragraph 1 under heading A above, shall be subject to the following conditions-
  - (a) all funds required for capital investments referred to above shall be made through an Inward Investment Account opened and maintained in any foreign currency designated by the Central Bank or Sri Lanka Rupees with a licensed commercial bank as an authorized dealer;
  - (b) all income received from such investments and proceeds of disposal, liquidation, maturity of the investments shall be credited to the Inward Investment Account through which the investment was made;

- (c) all income, proceeds on deposit, liquidation, maturity of the above investments (including any subsequent shares devolving on such investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion) transferred from a person who is non-national (excluding emigrants as defined in sub paragraph (1) of paragraph 1 under heading B of schedule IV) to a person who is non-national (excluding emigrants as defined in sub paragraph (1) of paragraph 1 under heading B of schedule IV) by way of inheritance or gift may be repatriated through an Inward Investment Account opened by the beneficiary, if the original investment has been made via an Inward Investment Account of the initial investor in compliance with paragraph 1 under heading A of this Schedule or by way of an inward remittance through a Securities Investment Account (re-designated as Inward Investment Account) or any other account prior to the date of operation of these regulations.
- (d) all income, proceeds on deposit, liquidation, maturity of the above investments (including any subsequent shares devolving on such investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion) made prior to the effective date of this regulation may be repatriated through an Inward Investment Account opened by the investor subject to the submission of evidences of the inward remittance for the investment. In the event of evidence of the inward remittance for the investment are not available for investments made prior to January 1, 2010, the said proceeds and any income of the investment may be repatriated through an Inward Investment Account opened by the non-resident investor upon satisfying with the *bona fide* of the underlying transaction by the licensed commercial bank as an authorized dealer.
- (e) resident entities involved with the capital transactions, specified in paragraph 1 of this Schedule including investee company, company secretaries and all intermediaries including stockbrokers, units trusts, mutual funds and financial institutions shall be responsible to ensure that persons resident outside Sri Lanka carries on such capital transactions in compliance with all requirements specified under this Schedule.
3. *Exclusions* – The permission under paragraph 1(a) of paragraph 1 under heading A of this Schedule shall not apply for in respect of shares of a company proposing to carry on or carrying on any of the following businesses-
- (a) pawn broking;
  - (b) coastal Fishing;
  - (c) retail trade where a capital contributed by persons resident outside Sri Lanka will be less than USD 5 Million.
4. *Limitations*
- (1) The permission under paragraph 1(a) of paragraph 1 under heading A of this Schedule shall apply in respect of shares in a company carrying on or proposing to carry on any of the following businesses only up to 40 per cent of the stated capital of such company or if a special approval has been granted by the Board of Investment of Sri Lanka for a higher percentage of foreign investment in any company, only up to such higher percentage.
    - (a) Production of goods where Sri-Lanka's exports subject to internationally determined quota restrictions.
    - (b) Growing and primary processing of tea, rubber, coconut, cocoa, rice, sugar and spices.
    - (c) Mining and primary processing of non-renewable national resources.
    - (d) Timber based industries using local timber.
    - (e) Deep sea fishing (as defined by the Ministry assigned the subject of Fisheries).
    - (f) Mass communication.
    - (g) Education.
    - (h) Freight forwarding.
    - (i) Travel agencies.
    - (j) Shipping Agencies.
  - (2) The permission shall apply in respect of shares in a company carrying on or proposing to carry on any of the following businesses specified below only up to the percentage of the stated capital of the company, for which percentage either general or special approval has been granted by the Government of Sri Lanka or any legal or administrative authority set up for the approval of foreign investments in such businesses-
    - (a) air transportation;
    - (b) coastal shipping (as defined by the Ministry assigned the subject of Shipping);

- (c) industrial undertaking in the Second Schedule of the Industrial Promotion Act, No.46 of 1990, namely-
    - (i) any industry manufacturing arms, ammunitions, explosives, military vehicles and equipment, aircraft and other military hardware.
    - (ii) any industry manufacturing poisons, narcotics, alcohol, dangerous drugs and toxic, hazardous or carcinogenic materials
    - (iii) any industry producing currency, coins, or security documents.
  - (d) large scale mechanized mining of gems.
  - (e) lotteries.
5. For the avoidance of doubt, it is hereby declared that in interpreting the provisions under heading A, the general principle applicable shall be that investors shall repatriate out of Sri Lanka income and proceeds arising from disposal of investments permitted under these paragraphs including any capital gains, in all instances where the investment has been made utilizing remittances of foreign exchange into Sri Lanka. Where an investor has deviated from the procedural requirements set out in these regulations, the Central Bank shall upon an application made to it through a licensed commercial bank as an authorized dealer have the power to authorize outward remittances by an investor in conformity with this principle upon satisfying with the *bona fides* of the application.

#### **B. Opening and Operating a Place of Business in Sri Lanka:**

1. (1) An overseas company registered under the Companies Act, No. 7 of 2007, may carry on in Sri Lanka -
- (a) any commercial, trading, or industrial activity, other than the activities specified in paragraph 2 under heading B of this Schedule, provided that prior permission has been obtained from the Government of Sri Lanka or any legal or administrative authority established to grant approval for foreign investments for the activities specified in paragraph 3 under heading B of this Schedule; or
  - (b) any non-commercial, non-trading or non-industrial activity such as the activities undertaken or carried out by a liaison office, representative office, regional office or other similar office, provided such activities do not provide any income directly or indirectly to the company.
- (2) An overseas company registered under the Companies Act, No. 7 of 2007, that undertakes or carries on any activity specified above shall-
- (a) in case of a place of business such as a branch office, project office or other similar office, invest a minimum of United States Dollars (USD) 200,000 or equivalent amount in other designated foreign currencies, out of remittances received from abroad and channeled through an Inward Investment Account opened with a licensed commercial bank as an authorized dealer in Sri Lanka to the credit of an account of the overseas company and provide evidence for the proof of said remittance, to the Department of Registrar of Companies, within thirty days of the registration.
  - (b) In case of a place of a business such as a liaison office, representative office or other similar office, remit in the funds required for the setting up and maintenance of such place of business through an Inward Investment Account opened with a licensed commercial bank as an authorized dealer in Sri Lanka to the credit of an account of the overseas company.
- (3) An overseas company referred to in sub paragraph (1) above may remit out of Sri Lanka, their profit, royalty, franchise or other similar payments or surplus funds at the time of termination net of tax through the Inward Investment Account of the parent company through which the investment was routed, An overseas company registered prior to the effective date of this regulation shall remit out the said payments through an Inward Investment Account of the parent company upon satisfying the licensed commercial bank as the authorized dealer about the *bona fide* of the underlying transaction.
2. For the purpose of sub paragraph (1) (a) of paragraph 1 under heading B of this Schedule, following commercial, trading and industrial activities are not permitted to be carried out by an overseas company:
- (a) money lending (other than the branches of foreign banks registered in Sri Lanka under the Banking Act, No. 30 of 1988);
  - (b) pawn brokering;
  - (c) retail trade where the capital contributed by persons resident outside Sri Lanka is and less than USD 5 million after such investment;
  - (d) coastal fishing;

- (e) growing and primary processing of tea, rubber, coconut and rice;
  - (f) mining and primary processing of non-renewable national resources
  - (g) freight forwarding;
  - (h) shipping agency business;
  - (i) mechanized mining of gems; and
  - (j) lotteries.
3. For the purpose of sub paragraph (1)(a) of paragraph 1 under heading B of this Schedule, following activities are permitted to be carried out with the prior permission of the Government of Sri Lanka or any legal or administrative authority established to grant approval for foreign investments-
- (a) production of goods where Sri Lanka's exports subject to internationally determined quota restrictions;
  - (b) growing and primary processing of sugar, cocoa and spices;
  - (c) timber based industries using local timber;
  - (d) deep sea fishing;
  - (e) mass communication;
  - (f) education;
  - (g) outbound travel agency business;
  - (h) local air transportation;
  - (i) any industry manufacturing or producing-
    - (i) arms, ammunitions, explosives, military vehicles and aircraft equipment and other military hardware;
    - (ii) poison, narcotics, alcohol, dangerous drugs and toxic hazardous or carcinogenic material; and
    - (iii) currency, coins and security documents.
4. For the avoidance of doubt, it is hereby declared that in interpreting the provisions under heading B, the general principle applicable shall be that investors shall repatriate out of Sri Lanka income and proceeds arising from disposal of investments permitted under these paragraphs, in all instances where the investment has been made utilizing remittances of foreign exchange into Sri Lanka. Where an investor has deviated from the procedural requirements set out in these regulations, the Central Bank shall upon an application made to it through a licensed Commercial Bank as an authorized dealer have the power to authorize outward remittances by an investor in conformity with this principle upon satisfying with the *bona fides* of the application.
5. For the purpose of this Schedule-
- "Central Bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "companies limited by guarantee" shall have the same meaning as in the Companies Act, No. 7 of 2007;
- "licensed Commercial Bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "licensed specialized bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "licensed Finance Company" means a finance company licensed under the Finance Business Act, No. 42 of 2011;
- "licensed financial institution" means-
- (a) a licensed Commercial Bank;
  - (b) a licensed specialized Bank;
  - (c) a microfinance company licensed under the Microfinance Act, No. 6 of 2016;
  - (d) a specialized leasing company; or
  - (e) a licensed finance company;
- "Minister" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "Monetary Board" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "overseas company" shall have the same meaning as in the Companies Act, No. 7 of 2007;
- "specialized leasing company" means a company registered under the Finance Leasing Act, No. 56 of 2000 to conduct finance leasing business;

“Sri Lanka Development Bonds” means a debt instrument denominated in United States Dollars issued by the Public Debt Department of the Central Bank of Sri Lanka on behalf of the Government of Sri Lanka.

### SCHEDULE III

(Regulation 2(c))

#### CAPITAL TRANSACTIONS UNDERTAKEN UNDER ANY APPROVAL (GENERAL OR SPECIAL) ALREADY GRANTED IN TERMS OF THE PROVISIONS OF THE REPEALED EXCHANGE CONTROL ACT

All existing transactions under the provisions of the repealed Exchange Control Act similar to the capital transactions specified in Schedules I, II and IV to these regulations may be continued subject to the terms and conditions specified for such transactions unless specifically varied by these regulations or any subsequent regulations.

### SCHEDULE IV

(Regulations 2(2) and 4)

#### OTHER CAPITAL TRANSACTIONS

All other capital transactions specified under headings A to H below of this Schedule shall be undertaken through a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 for this purpose.

##### A. Repatriation of sale proceeds of immovable property (land and buildings) held by residents outside Sri Lanka.

1. A Licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 are permitted to repatriate sale proceeds including capital gains, if any, paid in Sri Lanka Rupees by a person resident in Sri Lanka to a person resident outside Sri Lanka where such payments form the consideration payable in respect of a sale of immovable property in Sri Lanka by the owner or the heir of such property who is resident outside Sri Lanka for the following purposes and subject to laws applicable for acquisition, ownership and possession of immovable property in Sri Lanka-
  - (a) to credit an Inward Investment Account of the owner or the heir, if the original acquisition of the immovable property was made utilizing the funds in the Inward Investment Account.
  - (b) to credit an account maintained outside Sri Lanka by the owner or the heir, upon ascertaining the proof of inward remittance (including funds sent by the owner to an account of a third party in Sri Lanka who has facilitated the acquisition of the immovable property by the owner) for the original acquisition and/or the development of such property.

##### B. Migrant Transfers

1. (1) A Sri Lanka national who has been a resident of Sri Lanka and has obtained Permanent Residency (PR) or citizenship in another country, including a dual citizen (hereinafter referred to as an emigrant) is eligible for the migration allowance, which includes proceeds realized from the sale of movable and immovable property, tangible and intangible assets owned by the emigrant and gifts received by the emigrant from the spouse and parents. Assets may include the value of precious stones, precious metals, personal jewellery and other assets held in Sri Lanka including estates inherited as beneficiaries.
  - (2) Following limits shall be applicable for the transactions specified in paragraph (1) of heading B above-
    - (a) an initial migration allowance of USD 200,000 per individual aged 18 years and above, subject to directions issued by the Central Bank of Sri Lanka.
    - (b) an annual migration allowance of USD 30,000. The first such annual allowance is transferable after lapse of 12 months from the full utilization of the initial allowance of USD 200,000. With the exception of the first allowance, subsequent allowances shall be transferable per calendar year and can be transferred in accumulation, subject to directions issued by the Central Bank of Sri Lanka.
    - (c) an annual allowance of USD 30,000 in respect of foreign nationals as proceeds from sale of inherited property and assets in Sri Lanka subject to the directions issued by the Central Bank of Sri Lanka.
  - (3) The migration allowance should be remitted out through a Capital Transaction Rupee Account (CTRA) opened with a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2.

- (4) Eligible migration allowance as approved by the licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 can be transferred from Capital Transaction Rupee Account to applicant's Personal Foreign Currency Account and/or Inward Investment Account in Sri Lanka or transferred to an account of the emigrant maintained outside Sri Lanka.
  - (5) Current income (including interest, dividends, pensions, rent, lease rentals and profits) and superannuation benefits (Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and any other approved pension or retirement fund) shall be credited to the Capital Transaction Rupee Account and can be transferred in addition to the migration allowance to Personal Foreign Currency Accounts and/or Inward Investment Account in Sri Lanka or to an account maintained by the emigrant outside Sri Lanka.
2. Emigrants and/or foreigners of Sri Lankan origin shall obtain prior approval of the Central Bank of Sri Lanka to open and maintain foreign exchange accounts in any designated foreign currency for the purpose of crediting proceeds/income of inherited assets derived in foreign currency, if any, for such person.

### C. Granting of Loans and Advances in Sri Lanka to Residents outside Sri Lanka

Licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 may grant loans and advances in foreign currency or in Sri Lanka Rupees for certain purposes to categories of persons as set out below.

1. Sri Lankans, resident outside Sri Lanka on Permanent Residency (PR) visa in another country and dual citizens.
  - (1) Loans shall be granted in foreign currency or in Sri Lanka Rupees for the purpose of acquisition/construction/ development and renovation of a residential property in Sri Lanka.
  - (2) Foreign currency loans shall be granted only if the borrower has foreign currency earnings to repay the loan.
  - (3) Loan proceeds shall be disbursed in Sri Lanka Rupees unless the borrower requests to transfer the loan proceeds to foreign exchange accounts maintained by persons resident in Sri Lanka, who develop residential property, provided such persons are permitted to accept foreign currency.
  - (4) Loans granted in foreign currency shall be repaid with foreign currency inward remittances or by utilizing funds available in Personal Foreign Currency Accounts and Inward Investment Accounts of the borrower.
  - (5) Loans granted in Sri Lanka Rupees shall be repaid with foreign currency inward remittances or by utilizing funds available in Personal Foreign Currency Accounts and Inward Investment Accounts and by utilizing Sri Lanka Rupee earnings of the borrower.
  - (6) Recoveries of foreign currency loans in Sri Lanka Rupees (at default) shall be carried out only at a stage of such loans being classified as non-performing at least in the substandard category, in terms of the Banking Act Directions, No. 3 of 2008 (as amended), as follows:
    - (a) Firstly, through foreign currency assets of the borrower.
    - (b) Secondly, through proceeds realized from the sale of the mortgaged assets or other domestic assets.
    - (c) As a last resort, Sri Lanka Rupee proceeds shall be converted only up to the extent of the amount required to settle any remaining loan balance.
2. Sri Lankans employed abroad (other than emigrants)
  - (1) Loans and advances shall be obtained in foreign currency or in Sri Lanka Rupees from a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 to be utilized for any purpose in Sri Lanka, provided the borrower has the capacity to service such loans in foreign currency.
  - (2) Before granting such loans a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 shall assess the credit risk of such loan.
  - (3) Loans and advances in foreign currency/Sri Lanka Rupees shall be granted upon obtaining adequate security to mitigate the credit risk in the form of a mortgage over freehold property (land and buildings) or in the form of a lien on foreign currency deposits/assets.
  - (4) The tenure of the loans shall be decided based on the borrower's probable tenure of employment abroad and such loans shall be disbursed in accordance with procedures usually followed by the banks.

- (5) Foreign currency loan proceeds shall be disbursed in Sri Lanka Rupees to the borrower unless the borrower request to transfer the loan proceeds to foreign currency accounts maintained by persons resident in Sri Lanka, who develop residential property, provided that such persons are permitted to accept foreign currency.
- (6) Loans granted in foreign currency shall be repaid in foreign currency through inward remittances or balance in the Personal Foreign Currency Accounts of the borrower.
- (7) Loans granted in Sri Lanka Rupees shall be serviced only out of funds available in the Personal foreign Currency Accounts of the borrower as long as said borrower is employed outside the country. These loans may be serviced in Sri Lanka Rupees of the borrower, only if the borrower becomes a resident in Sri Lanka after ending the overseas employment contract.
- (8) Recoveries of foreign currency loans in Sri Lanka Rupees (at default) shall be carried out only at a stage of such loans being classified as non-performing at least in the substandard category, in terms of the Banking Act Directions, No. 3 of 2008 (as amended), as follows:
  - (a) Firstly, after applying foreign currency assets/deposits/balances in the Personal Foreign Currency Accounts of the borrower towards repayment of the loan;
  - (b) Secondly, through proceeds realized from the sale of the mortgaged assets or other domestic assets of the borrower; and
  - (c) As a last resort, Sri Lanka Rupee proceeds shall be converted only up to the extent of the amount required to settle any remaining loan balance.

#### **D. Borrowings by Sri Lankan Students Pursuing Education in an Overseas Country**

1. Any Sri Lankan citizen who has proceeded outside Sri Lanka for educational purpose is permitted to borrow from banks, financial institutions, universities or educational institutions in foreign countries in order to meet tuition/living expenses while undertaking studies abroad and to repay such loans by remitting funds from Sri Lanka through a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2.
2. Any licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 may make outward remittances to respective lending institutions to repay the said loans by parents or guardians in Sri Lanka of such Sri Lankan citizens who have proceeded outside Sri Lanka for educational purpose, after verifying the *bona-fide* of the transaction.

#### **E. Payments related to Financial Derivative Transactions**

Any licensed commercial bank as an authorized dealer may make payments in foreign exchange for financial derivative products in respect of current transactions and capital transactions (underlying transactions) permitted under the provisions of the Foreign Exchange Act, after satisfying with the *bona fide* of such underlying transactions as per the directions issued by the Central Bank of Sri Lanka.

#### **F. Repatriation of Export Proceeds to Sri Lanka by Exporters of Goods**

1. Every exporter of goods shall repatriate to Sri Lanka payments received for the exportation of goods within 120 days from the date of exportation.
2. A grace period of 30 days may be granted by the Central Bank of Sri Lanka after the completion of 120 days prior to instituting any action against any violations of the above requirement.
3. Every exporter of goods shall submit related documentary evidence on each exportation to the respective licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 that receives the payment.

#### **G. Issuing of Financial Guarantees by a Person Resident in Sri Lanka in favour of a Non-Resident**

1. Bank Guarantees, Bonds or Standby Letters of Credit
  - (1) Every licensed commercial bank as an authorized dealer or licensed specialized bank as authorized under paragraph (2) of regulation 2 is permitted to issue and renew following bank guarantees, bonds or standby letters of credit as the case may be, in respect of capital transactions, subject to the directions issued to the licensed commercial banks as authorized dealers and licensed specialised banks as Authorised Dealers under Paragraph (2) of regulations 2 by the Central Bank -
    - (a) the guarantees as collateral to secure payments of members obligations on membership and reimbursement of visa expenses on behalf of card centers of licensed commercial banks or licensed specialized banks;

- (b) Bid bonds, performance bonds, advance payment guarantees required to be issued on behalf of a person resident in Sri Lanka in favor of a person resident outside Sri Lanka in respect of overseas contracts undertaken by the person resident in Sri Lanka, subject to the conditions stipulated in tender/quotation or contract. Any other guarantees required for the said purpose shall be issued up to a maximum limit of USD 1,000,000 per contract;
- (c) A guarantee on behalf of a principal obligor who is a resident outside Sri Lanka in favour of a person resident in Sri Lanka in respect of a contract in Sri Lanka, subject to obtaining a counter guarantee on identical terms from the principal obligor who is a resident outside Sri Lanka issued by a reputed International Bank outside Sri Lanka with a rating acceptable to the licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2;
- (d) A guarantee, in the event the principal obligor is a person resident outside Sri Lanka and a guarantee is to be given by his agent in Sri Lanka in favor of a person resident in Sri Lanka in respect of a contract in Sri Lanka, at the request of the agent in Sri Lanka subject to obtaining a counter guarantee on identical terms from the principal obligor resident outside Sri Lanka issued by a reputed international bank outside Sri Lanka with a rating acceptable to the licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2;
- (e) A guarantee, in the event where a company incorporated in Sri Lanka (investor) requires to provide a bank guarantee to enable a company incorporated outside Sri Lanka (investee) in which the said investor is a shareholder to raise facilities from financial institutions in the country where the investee is incorporated, subject to the maximum limit of USD 1,000,000, if the investment in said investee has been made in compliance with the provisions of the repealed Exchange Control Act or this Act. The guarantee value shall be proportionate to the percentage shareholding of the investor in the said investee at any given time;
- (f) In the event where a company incorporated in Sri Lanka (investor) requires to provide a bank guarantee to enable a branch established outside Sri Lanka by the said investor to raise facilities from financial institutions in the country where the branch is established. A guarantee up to USD 500,000 may be issued per branch established outside Sri Lanka by the investor if the investment in said branch has been made in compliance with the provisions of the repealed Exchange Control Act or this Act;
- (g) in the event where a person resident outside Sri Lanka undertakes a project in Sri Lanka as a contractor and a person resident in Sri Lanka is required to issue a guarantee in favor of the said contractor in the capacity of a sub-contractor, bid bonds, performance bonds, advance payment guarantees may be issued subject to the conditions stipulated in tender/quotation or contract. Any other guarantees required for the said purpose shall be issued up to a maximum limit of USD 1,000,000 per contract; or
- (h) In the event a company incorporated in Sri Lanka act as an agent of a company incorporated outside Sri Lanka (the principal) subject to an agreement entered into between both parties (agency agreement), a guarantee shall be issued on behalf of the agent in favor of principal to a maximum amount of USD 2,000,000, as required in the said agency agreement.

## 2. Corporate Guarantees

- (1) A company incorporated in Sri Lanka, in the event where a company incorporated in Sri Lanka (investor) is required to provide a corporate guarantee to enable a company incorporated outside Sri Lanka (investee) in which the said investor is a shareholder to raise facilities from financial institutions in the country where the investee is incorporated, shall be permitted to issue a corporate guarantee subject to the maximum limit of USD 1,000,000 if the investment in said investee has been made in compliance with the provisions of the repealed Exchange Control Act or this Act and the financial strength of the company is sufficient to recover the liability of the corporate guarantee. The Board of directors of the company shall ensure that the company has the financial strength to meet any contingent liability arising out of the corporate guarantee. The guarantee value shall be proportionate to the percentage shareholding of the investor in the said investee at any given time.
  - (2) Companies referred to in sub paragraph (1) above are required to furnish the details of each corporate guarantee (including the copies of the corporate guarantee and the relevant board resolutions) issued under the above permission to the Head of the Department of Foreign Exchange of the Central Bank within 14 days from the effective date of the said guarantee.
3. For the purpose of paragraph 1 and 2 above:-
- (a) every licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 is also permitted to make outward remittances arising from valid claims in respect of the guarantees referred to above and the maximum limit of the claim shall be proportionate or lower to the outstanding obligation of the underlying facility.
  - (b) any guarantee exceeding the above limits and does not fall under the above categories shall require a special approval of the Monetary Board under section 7 of the Act. An application in this regard shall be submitted to the Head of the Department of Foreign Exchange of the Central Bank.



**H. Persons permitted to Open, maintain and operate an account with a bank outside Sri Lanka under regulation 3**

Following persons are permitted to open, maintain and operate a foreign exchange account with a bank outside Sri Lanka -

- (a) A person resident in Sri Lanka who has proceeded outside Sri Lanka temporality for business, education or for medical purposes;
- (b) An individual who provides, or a company or firm registered in Sri Lanka which provides professional or vocational services outside Sri Lanka;
- (c) An individual who has been permitted or a company or a firm registered in Sri Lanka which has been permitted by the Monetary Board in accordance with such directions as may be issued by the Minister to invest outside Sri Lanka;
- (d) An exporter of merchandise goods;
- (e) A person who has obtained a valid permanent residency permit from another country;
- (f) A dual citizen; and
- (g) A person resident in Sri Lanka who intends to proceed outside Sri Lanka for studies in a country where such person is required by the visa granting authority to open and maintain an account with a bank in such country as a condition to grant visa.

**I. For the purpose of this Schedule-**

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Employees Provident Fund” means the Employees Provident Fund established by the Employees Provident Fund Act, No. 15 of 1958;

“Employees Trust Fund” means the Employees Trust Fund established by the Employees Trust Fund Act, No. 46 of 1980;

“Minister” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Monetary Board” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

**L.D. B. 10/2017****FOREIGN EXCHANGE ACT, No. 12 OF 2017**

Regulations made under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017.

RANIL WICKRAMASINGHE,  
Minister of National Policies and Economic Affairs

Colombo,  
17th November , 2017.

**Regulations**

1. These regulations may be cited as Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 2 of 2017 and shall come into operation on the date on which the Act comes into operation.

**PART I****AUTHORITY TO OPEN ACCOUNTS**

2. The following persons shall have the authority to open and maintain foreign exchange accounts or Sri Lanka Rupee accounts, in the name of any person to deal in capital transactions-
  - (a) any licensed commercial bank as an authorized dealer;
  - (b) any licensed specialized bank which is deemed to have been authorized by the Central Bank under section 4(1)(d) of the Act to deal in foreign exchange for the purposes specified in such authorization; and
  - (c) any licensed specialized bank as may be authorized by the Central Bank under section 4 (1)(c) of the Act to deal in foreign exchange for the purposes specified in such authorization.
3. A Financial Institution resident outside Sri Lanka may open and maintain foreign exchange accounts and Sri Lanka Rupee accounts with any licensed commercial bank in Sri Lanka for the purpose of effecting payments to persons in Sri Lanka.
4. A licensed commercial bank as an authorized dealer or a licensed specialized bank as specified in paragraphs (b) and (c) of

regulation 2 may open and maintain Nostro Accounts with a bank incorporated outside Sri Lanka or branches of such bank established outside Sri Lanka, in order to facilitate efficient settlement of foreign exchange transactions in other countries by such licensed commercial bank as an authorized dealer.

## PART II TYPES OF ACCOUNTS

5. (1) Following types of accounts may be opened and maintained by any licensed commercial bank as an authorized dealer or any licensed specialized bank as specified in paragraphs (b) and (c) of regulation 2:
  - (a) Inward Investment Accounts (IIAs)
  - (b) Outward Investment Accounts (OIAs)
  - (c) Capital Transaction Rupee Accounts (CTRAs)
  - (d) Diplomatic Foreign Currency Accounts (DFAs)
  - (e) Diplomatic Rupee Accounts (DRAs)
- (2) Inward Investment Accounts, Outward Investment Accounts, Capital Transactions Rupee Accounts and Diplomatic Foreign Currency Accounts may be opened and maintained as Current (without cheque drawing facility), Savings or Term Deposit accounts in Sri Lanka Rupees or any designated foreign currency.
- (3) Inward Investment Accounts, Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts maintained by individuals may be held as sole or joint accounts with another eligible person.
- (4) The accounts specified in paragraph (1) shall be opened and maintained by licensed commercial banks as authorized dealers in their domestic banking units.
6. Any account specified in regulation 5 shall be opened and maintained in Sri Lanka Rupees or any foreign currency specified in Schedule I to these regulations or any other currency as may be specified by the Central Bank from time to time.
7. (1) No person shall open an account specified in regulation 5 where such person is not eligible to open such an account as specified in Schedule II to these regulations.
- (2) Every licensed commercial bank as an authorized dealer or licensed specialized bank as specified in paragraphs (b) and (c) of regulation 2 shall exercise due diligence and reasonable care to ascertain persons seeking to open and maintain an account specified in regulation 3 is eligible to open and maintain such accounts under criteria specified in Schedule II. Information and documentary evidence relating to the account holders evidencing their eligibility during the maintenance of the account and a period of six years after the closure of an account shall be maintained by every licensed commercial bank as an authorized dealer or licensed specialized bank as specified in paragraphs (b) and (c) of regulation 2.
- (3) The criteria for eligibility to open each type of account specified in regulation 3, the permitted debit and credit limits for each type of such account shall be as specified in Schedule II to these regulations.
- (4) Nothing in these regulations shall prevent the licensed commercial banks as authorized dealers or licensed specialized banks as specified in paragraphs (b) and (c) of regulation 2 or account holders from complying with the provisions of any other law in relation to opening and maintaining accounts.

## PART III RE-DESIGNATION OF EXISTING ACCOUNTS & c.

8. All licensed commercial banks as authorized dealers and licensed specialized banks as specified in paragraph (b) of regulation 2 shall re-designate–
  - (a) all existing Securities Investment Accounts (SIAs) and Special Foreign Investment Deposit Accounts (SFIDAs) opened and maintained in foreign currencies and in Sri Lanka Rupees under the provisions of the repealed Exchange Control Act, as Inward Investment Accounts (IIAs); and
  - (b) all existing Non- Resident Rupee Accounts (NRRAs), Non- Resident Blocked Accounts (NRBAs) and Migrant Blocked Accounts (MBAs) as Capital Transactions Rupee Accounts (CTRAs),
 by April 1, Two Thousand and Eighteen.
9. For the purpose of these regulations–

“Act” means the Foreign Exchange Act, No. 12 of 2017;

“authorized dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“financial institution” means a company licensed under the Finance Business Act, No. 42 of 2011 to conduct finance business;

“person” shall have the same meaning as in the Interpretation Ordinance (Chapter 2);

“licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“remittances” shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;

“repealed Exchange Control Act” means the Exchange Control Act (Chapter 423).

## SCHEDULE I

(Regulation 6)

### Designated foreign currencies

- (1) United States Dollars (USD)
- (2) Euro,
- (3) Sterling Pound
- (4) Australian Dollars
- (5) Singapore Dollars
- (6) Swedish Kroner
- (7) Swiss Franc
- (8) Canadian Dollars
- (9) Hong Kong Dollars
- (10) Japanese Yen
- (11) Danish Kroner
- (12) Norwegian Kroner
- (13) Chinese Renminbi
- (14) New Zealand Dollars

## SCHEDULE II

(Regulation 7)

### Eligibility and permitted debit and credit limits of Accounts

#### 1. INWARD INVESTMENT ACCOUNTS (IIAs)

##### (1) *Persons eligible to open IIAs*

- (a) A non-national resident in or outside Sri Lanka.
- (b) A non-national of Sri Lankan origin, who is a resident outside Sri Lanka
- (c) A Sri Lankan citizen, resident outside Sri Lanka.
- (d) A Company incorporated outside Sri Lanka.
- (e) Country and Regional Funds, Mutual Funds, Unit Trusts and other Institutional investors who are established outside Sri Lanka.
- (f) An administrator or executor of the estate of a deceased person, who maintained an Inward Investment Account with that authorized dealer until the completion of the administration of the deceased person's estate.
- (g) A receiver or liquidator of a Company that maintained an Inward Investment Account with that authorized dealer until proceedings are concluded.
- (h) Any other person or category of persons who may be authorized by the Central Bank from time to time.

##### (2) *Permitted Credits*

- (a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.
  - (b) Transfers from Personal Foreign Currency Accounts, Inward Investment Accounts or accounts maintained in the Offshore Banking Unit of the same account holder.
  - (c) Dividends, sale or maturity proceeds, disposal of liquidation, capital redemption, share buyback, profits, surplus funds, rental income, recovery of principal, interest or any other related income received from capital transactions undertaken in Sri Lanka by persons resident outside Sri Lanka as permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017.
  - (d) Foreign currency brought into Sri Lanka by the account holder upon declaration (i.e., where such foreign currency notes exceed or equals to USD 15,000 or its equivalent in other foreign currency on a declaration to Customs Department or where such foreign currency notes are less than USD 15,000 or its equivalent in other foreign currency on an appropriate declaration to the authorized dealer).
  - (e) Sale proceeds of immovable properties including capital gains, leasehold rights, sub-lease hold rights, if any, received in Sri Lanka Rupees, where such investment had been made through the Inward Investment Account [or through the re-designated Securities Investment Account of the account holder or upon ascertaining the proof of inward remittances prior to these regulations come into effect].
  - (f) Transfers from Business Foreign Currency Account of a person resident in Sri Lanka as repayment of foreign currency loans obtained by such person (i.e., borrower) from the account holder (i.e., foreign lender) under a general or special approval granted under the provisions of the repealed Exchange Control Act or Foreign Exchange Act, No. 12 of 2017.
  - (g) Sri Lanka Rupees converted into foreign currency by a resident in Sri Lanka (i.e., borrower) for repayment of foreign currency loans obtained from the account holder (i.e., foreign lender) under a general or special approval granted under the provisions of the repealed Exchange Control Act or Foreign Exchange Act, No. 12 of 2017.
  - (h) Transfers from Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts of the same account holder.
  - (i) Transfers from an Inward Investment Account of another person (i.e., buyer) in respect of sale of permitted investments to such buyer by the account holder where such investment has been made by the account holder through the same Inward Investment Account (including any subsequent shares devolving on the investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion).
  - (j) Transfers from Capital Transactions Rupee Account of the same account holder as permitted by Directions issued by the Central Bank.
  - (k) Transactions or transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.
  - (l) Interest earned on the funds held in the account.
- (3) *Permitted Debits*
- (a) Disbursements in Sri Lanka in Sri Lanka Rupees.
  - (b) Outward remittances in favor of the account holder.
  - (c) Transfers to Inward Investment Accounts, Personal Foreign Currency Accounts or accounts maintained in the Offshore Banking Units of the same account holder.
  - (d) Payments relating to capital transactions undertaken in Sri Lanka by persons resident outside Sri Lanka in terms of the permissions granted under the provisions of the Foreign Exchange Act, No. 12 of 2017.
  - (e) Disbursements relating to foreign currency loans to persons resident in Sri Lanka where such loans have been obtained in terms of a general or special approval granted under the provisions of the Foreign Exchange Act, No. 12 of 2017.
  - (f) Transfer of proceeds of foreign currency loans (including debt securities) to an Outward Investment Account of the borrower, where such loans have been obtained for the purpose of financing an overseas capital transaction (i.e., an outward investment) permitted under the provisions of the Foreign Exchange Act, No.12 of 2017.
  - (g) Transfers to Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts of the same account holder.
  - (h) Transfers to an Inward Investment Account of another person (i.e., seller) in respect of the purchase of any permitted investment from such seller by the account holder.

- (i) Transactions or transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

## 2. OUTWARD INVESTMENT ACCOUNTS (OIAs)

- (1) Persons eligible to open OIAs
  - (a) Companies registered under the Companies Act, No. 07 of 2007 other than a company limited by guarantee.
  - (b) A partnership registered in Sri Lanka.
  - (c) An individual resident in Sri Lanka.
- (2) A Non-Governmental Organization shall not be permitted to open and maintain an Outward Investment Account.
- (3) Any person against whom or any company or partnership against which legal proceedings or investigations are pending in respect of a prosecution under the provisions of the repealed Exchange Control Act or Foreign Exchange Act, No.12 of 2017, shall not be permitted to make any outward remittance in respect of a permissible capital transaction without obtaining clearance for such remittance from the Central Bank.
- (4) Permitted Credits
  - (a) Sri Lanka Rupee proceeds of the eligible resident investors converted into foreign currency, up to the investment requirement, to the extent such limits specified in terms of the regulations issued under the provisions of the Foreign Exchange Act, No.12 of 2017.
  - (b) Transfers from Business Foreign Currency Account of the account holder.
  - (c) Proceeds of a loan (including the issue of debt securities) obtained from a foreign source through an Inward Investment Account of the lender, in order to finance an overseas capital transaction (i.e., an outward investment) permitted in terms of the provisions of the Foreign Exchange Act, No.12 of 2017.
  - (d) Remittances as dividends, proceeds on sale and maturity, capital gains, liquidation proceeds, capital reductions receivable of shares, sovereign bonds, units and debt securities, profits, margins and surplus funds, management fees, consultancy fees and commissions or any other related receipts etc. (including any subsequent shares devolving on the investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion), received in respect of capital transactions undertaken outside Sri Lanka by persons resident in Sri Lanka as permitted under the provisions of the Foreign Exchange Act, No.12 of 2017 or the repealed Exchange Control Act, where such capital transactions have been made through the same Outward Investment Account.
  - (e) Transactions or transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.
  - (f) Interest earned on the funds held in the account.
- (5) Permitted Debits
  - (a) Payments (including setting up and maintenance cost, bank charges, broker fees, commissions or any other related payment etc.) relating to capital transactions (i.e., outward investments) undertaken by the account holder in terms of the permissions granted under the provisions of the Foreign Exchange Act, No. 12 of 2017.
  - (b) Payments in foreign currency outside Sri Lanka for current transactions of the account holder.
  - (c) Transfers to Personal Foreign Currency Accounts and Business Foreign Currency Accounts of the account holder as capital and capital gains received from an overseas capital transaction (i.e., outward investment) into an Outward Investment Account, where the investment had been made by debiting such Personal Foreign Currency Accounts or Business Foreign Currency Accounts.
  - (d) Transactions or transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.
  - (e) Withdrawals in Sri Lanka Rupees.

## 3. CAPITAL TRANSACTIONS RUPEE ACCOUNTS (CTRAs)

- (1) Persons eligible to open CTRAs

- (a) An individual Sri Lankan, permanently residing outside Sri Lanka.
- (b) A Non-National of Sri Lankan origin, who is a resident outside Sri Lanka.
- (c) A Non- National resident outside Sri Lanka.
- (d) A Sri Lankan dual citizen.
- (e) Foreign firms and companies registered outside Sri Lanka.
- (f) A Sri Lankan national, resident outside Sri Lanka.

(2) Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.
- (b) Where the account holder is an individual emigrant of Sri Lanka, a non- national resident outside Sri Lanka or a Sri Lankan dual citizen; local income including sale proceeds of movable and immovable property and tangible/intangible assets, which are derived in Sri Lanka.
- (c) Transactions or transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.
- (d) Interest earned in Sri Lanka Rupees on the funds held in the account.

(3) Permitted Debits

- (a) Remittance of migration allowance up to USD 200,000 per individual in respect of a Sri Lankan emigrant, as per the directions issued by the Central Bank.
- (b) Remittance of an allowance of USD 30,000 per annum in respect of an eligible Sri Lankan emigrant in addition to sub paragraph (3)(a) of paragraph 4, as per the directions issued by the Central Bank.
- (c) Remittance of USD 30,000 per annum for capital transactions in respect of foreign nationals as per the directions issued by the Central Bank.
- (d) Where the account holder is an individual emigrant of Sri Lanka, a Non- National resident outside Sri Lanka or a Sri Lankan dual citizen, transfer of eligible migration allowance to a Personal Foreign Currency Account or an Inward Investment Account of the account holder, as per the directions issued by the Central Bank.
- (e) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (f) Transactions or transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

#### 4. DIPLOMATIC FOREIGN CURRENCY ACCOUNTS (DFAs)

(1) Persons eligible to open DFAs

- (a) A foreign citizen who holds a diplomatic passport, diplomatic identity card issued by the Ministry of the Minister assigned subject of Foreign Affairs and has been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.
- (b) A foreign citizen who holds a non-diplomatic passport and has been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

(2) Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.
- (b) Foreign currency brought into Sri Lanka by the account holder on declaration to Customs Department.
- (c) Transfers from Inward Investment Accounts and accounts maintained in the Offshore Banking Units of the same account holder
- (d) Transfers from Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts, irrespective of the account holder.

- (e) Transactions or transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.
- (f) Interest earned in foreign currency on the funds held in the account.

(3) Permitted Debits

- (a) Any outward remittances made outside Sri Lanka.
- (b) Withdrawals in foreign currency or in Sri Lanka Rupees for local expenses of the account holder.
- (c) Transfers to Inward Investment Accounts and accounts maintained in the Offshore Banking Unit of the same account holder.
- (d) Transfers to Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts, irrespective of the account holder.
- (e) Transfers to Personal Foreign Currency Accounts of any other person.
- (f) Transactions or transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

**5. DIPLOMATIC RUPEE ACCOUNTS (DRAs)**

(1) Persons eligible to open DRAs

- (a) A foreign citizen who holds a diplomatic passport, a diplomatic identity card issued by the Ministry of the Minister assigned the subject of Foreign Affairs and has been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.
- (b) A foreign citizen who holds a non-diplomatic passport and has been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

(2) Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.
- (b) Refunds, reimbursements and payments due to the account holder from any person in Sri Lanka.
- (c) Sale proceeds of motor vehicles owned by the account holder, derived in Sri Lanka upon submission of documents by the account holder.
- (d) Transfers from Inward Investment Account of the same account holder.
- (e) Transfers from Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts, irrespective of the account holder.
- (f) Transactions or transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.
- (g) Interest earned in Sri Lanka Rupees on the funds held in the account.

(3) Permitted Debits

- (a) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (b) Outward remittances of visa fees, refunds, reimbursements and sale proceeds of motor vehicles owned by the account holder.
- (c) Transfers to Inward Investment Accounts of the same account holder.
- (d) Transfers to Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts, irrespective of the account holder.
- (e) Any other transaction approved by the relevant line Ministry.
- (f) Transactions or transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

6. For the purpose of this Schedule-

“Securities and Exchange Commission of Sri Lanka” means the Securities and Exchange Commission of Sri Lanka established under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987.

**L.D. B. 10/2017****FOREIGN EXCHANGE ACT, No. 12 OF 2017**

REGULATIONS made under Section 29 read with Sections 5 and 8 of the Foreign Exchange Act, No. 12 of 2017.

RANIL WICKREMESINGHE,  
**Minister of National Policies and Economic Affairs**

Colombo,  
17th November, 2017.

**Regulations**

1. These regulations may be cited as Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 3 of 2017 and shall come into operation on the date on which the Act comes into operation.

**PART I****AUTHORITY TO OPEN ACCOUNTS**

2. An authorized dealer or a restricted dealer to the extent specified in his permit shall have the authority to open and maintain foreign exchange accounts in the name of any person.

**PART II****TYPES OF ACCOUNTS**

3. (1) Following types of accounts may be opened and maintained, by an authorized dealer or a restricted dealer under regulation 2-
  - (a) Personal Foreign Currency Accounts (PFCAs);
  - (b) Business Foreign Currency Accounts (BFCAs); or
  - (c) any other category of accounts that may be permitted to maintain, in terms of the directions issued by the Central Bank from time to time.(2) In case of licensed commercial banks as authorized dealers, the accounts specified in paragraph (1) shall be opened and maintained in their domestic banking units.
4. Any account specified in regulation 3 shall be opened and maintained in any designated foreign currency specified in Schedule I to these regulations or any other currency as may be specified by the Central Bank from time to time.
5. (1) No person shall open an account specified in regulation 3 where such person is not eligible to open such an account as specified in Schedule II to the regulations.
  - (2) Every authorized dealer and restricted dealer shall exercise due diligence and reasonable care to ascertain persons seeking to open and maintain an account specified in regulation 3 is eligible to open and maintain such accounts under criteria specified in Schedule II. Information and documentary evidence relating to the account holders evidencing his eligibility during the maintenance of the account and a period of six years after the closure of an account shall be maintained by every authorized dealer and restricted dealer
  - (3) The criteria for eligibility to open each type of account specified in regulation 3, the permitted debit and credit limits for each type of such account shall be as specified in Schedule II to these regulations.
  - (4) Nothing in these regulations shall prevent the authorized dealers, restricted dealers or account holders from complying with the provisions of any other written law in relation to opening and maintenance of accounts.

**PART III****RE-DESIGNATION OF EXISTING ACCOUNTS & c.**

6. (1) All authorized dealers and restricted dealers shall re-designate -
  - (a) all existing Non-Resident Foreign Currency Accounts (NRFCs), Resident Foreign Currency Accounts (RFCs), Resident Non Nationals' Foreign Currency Accounts (RNNFCs) and Non-Resident Non-National Foreign Currency Accounts



(NRNNFC As) opened and maintained under the provisions of the repealed Exchange Control Act (Chapter 423), as Personal Foreign Currency Accounts (PFCAs); and

- (b) all existing Foreign Exchange Earners' Accounts (FEEAs), Inward Remittance Distribution Accounts (IRDAs) and Foreign Currency Accounts for Agents of Foreign Shipping Line or Air Lines (FCAASAs) as Business Foreign Currency Accounts (BFCAs),

by April 1, Two Thousand and Eighteen.

- (2) All existing Resident Guest Foreign Currency Accounts and Senior Foreign Nationals Special Accounts shall continue to be in operation with effect from January 1, Two Thousand and Eighteen, without being re-designated.
- (3) Personal Foreign Currency Accounts (PFCAs) and Business Foreign Currency Accounts (BFCAs) may be opened and maintained as Current (without cheque drawing facility), Savings or Term Deposit accounts in any designated foreign currency. Out of such accounts, Personal Foreign Currency Accounts, maintained by individuals may be held as sole or joint accounts with another eligible person.

7. For the purpose of these regulations-

"authorized dealer": shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Central Bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"licensed commercial bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"person" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"remittances" shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;

"restricted dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

#### SCHEDULE I

(Regulation 4)

##### Designated foreign currencies

- (a) United States Dollars (USD)
- (b) Euro
- (c) Sterling Pound
- (d) Australian Dollars
- (e) Singapore Dollars
- (f) Swedish Kroner
- (g) Swiss Franc
- (h) Canadian Dollars
- (i) Hong Kong Dollars
- (j) Japanese Yen
- (k) Danish Kroner
- (l) Norwegian Kroner
- (m) Chinese Renminbi
- (n) New Zealand Dollars.

#### SCHEDULE II

(Regulation 5)

##### Eligibility and permitted debit and credit limits of Accounts

1. PERSONAL FOREIGN CURRENCY ACCOUNTS (PFCAs)
- (1) Persons eligible to open PFCAs

- (a) An individual including a minor who is a Sri Lankan National.
  - (b) An individual of Sri Lankan origin including a minor who is a resident outside Sri Lanka.
  - (c) A non-national resident in Sri Lanka.
  - (d) A Non-national either on temporary visit to Sri Lanka or intending to visit Sri Lanka.
  - (e) An administrator or executor of the estate of a deceased person, who maintained a personal foreign currency account with that authorized dealer or restricted dealer until the completion of the administration of the deceased person's estate.
- (2) Permitted Credits
- (a) Remittances in foreign exchange received from outside Sri Lanka in favour of the account holder through the banking system.
  - (b) Unutilized foreign currency obtained by the account holder by debiting the Personal Foreign Currency Account for travel purpose as permitted by directions issued by the Central Bank.
  - (c) Foreign currency brought into Sri Lanka by the account holder upon declaration [i.e., where such foreign currency notes exceeds or equals to USD 15,000 or its equivalent in other foreign currency on a declaration to Customs Department or where such foreign currency notes are less than USD 15,000 or its equivalent in other foreign currency, on an appropriate declaration to the authorized dealer or restricted dealer].
  - (d) Transfers from Personal Foreign Currency Accounts, Business Foreign Currency Accounts or accounts maintained in the Offshore Banking Unit, irrespective of the account holder.
  - (e) Where the account holder is a resident outside Sri Lanka or a non-national resident in Sri Lanka, transfers from an Inward Investment Account of the same account holder.
  - (f) Transfers from Capital Transactions Rupee Account of the same account holder as permitted by directions issued by the Central Bank.
  - (g) Transfers from Diplomatic Foreign Currency Accounts of any other person.
  - (h) Capital, capital gains and other receipts arising from investments made in Sri Lanka in foreign currency, if the original transfer had been made by debiting the Personal Foreign Currency Account [or from the Non-Resident Foreign Currency Account, Resident Foreign Currency Account or Resident Non-National Foreign Currency Account of the account holder prior to this order come into effect].
  - (i) Capital and capital gains received from foreign investments into an Outward Investment Account, if the original investment had been made by debiting the Non-Resident Foreign Currency Account, Resident Foreign Currency Account or Resident Non-National Foreign Currency Account of the account holder, prior to this order come into effect.
  - (j) Unutilized balance remaining in the Foreign Travel Card of the same account holder, up to the amount the Foreign Travel Card had been loaded from the Personal Foreign Currency Account.
  - (k) Where the account holder is a non-national employee resident in Sri Lanka, transfers from employers' Sri Lanka Rupee account as monthly salary, employment benefits and other related benefits.
  - (l) Where the account holder is a non-national employee resident in Sri Lanka, amounts in Sri Lanka Rupees authorized by the Central Bank for remittance abroad, converted at the rate of exchange obtained on the day of credit.
  - (m) Transactions or transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.
  - (n) Remittances originating outside Sri Lanka from the account holder in terms of section 8(3) of the Act.
  - (o) Interest earned in foreign currency on the funds held in the account.
- (3) Permitted Debits
- (a) Any outward remittances made outside Sri Lanka.
  - (b) Disbursements in Sri Lanka in Sri Lanka Rupees.
  - (c) Transfers to Personal Foreign Currency Accounts or accounts maintained in the Offshore Banking Units, irrespective of the account holder.

- (d) Where the account holder is a resident outside Sri Lanka or a non-national resident in Sri Lanka transfers to an Inward Investment Account of the same account holder.
- (e) Transfer of funds for uploading a Foreign Travel Card.
- (f) Transfers in respect of any investment permitted to be made in Sri Lanka in foreign currency utilizing funds in the Personal Foreign Currency Account.
- (g) Withdrawal in foreign currency notes up to USD 10,000 (or equivalent in any other foreign currency) for travel purpose as permitted by directions issued by the Central Bank.
- (h) Where the account holder is a non-national resident outside Sri Lanka who is on temporary visit to Sri Lanka, withdrawals in foreign currency.
- (i) Where the account holder is a non-national employee resident in Sri Lanka, transfers to Business Foreign Currency Accounts of the employer in respect of overpayment of salaries and any other payment due to such employer.
- (j) Transfers to employers' Sri Lanka Rupee accounts in the event of an overpayment to a non-national employee resident in Sri Lanka, as per the sub paragraph (2) (k) of paragraph 1 of this Schedule.
- (k) Payments to residents in foreign exchange in respect of transactions or categories of transactions, to the extent such transactions have been permitted by directions issued by the Central Bank.
- (l) Transactions or transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

## 2. BUSINESS FOREIGN CURRENCY ACCOUNTS (BFCAs)

### (1) Persons eligible to open BFCAs

- (a) The following persons in, or resident in Sri Lanka who earn foreign exchange:
  - (i) An individual resident in Sri Lanka.
  - (ii) A sole proprietorship or partnership registered in Sri Lanka where the proprietor or a majority of partners are resident in Sri Lanka (in case of a partnership with two partners, at least one partner shall be a resident in Sri Lanka).
  - (iii) A company incorporated in Sri Lanka.
  - (iv) A company incorporated outside Sri Lanka which is registered as an overseas company under the Companies Act No. 7 of 2007.
  - (v) A State Institution with the recommendation of the Secretary to the relevant line Ministry or appropriate Authority.
  - (vi) A person authorized to carry on business as a shipping agent or a general sales agent in Sri Lanka on behalf of a foreign shipping line or airline (foreign principal) with a valid license or authorization letter issued by the Director General of Merchant Shipping and Director General of Civil Aviation Authority of Sri Lanka, respectively.
- (b) An administrator or executor of the estate of a deceased person, who maintained a Business Foreign Currency Account with that authorized dealer or restricted dealer, until the completion of the administration of the deceased persons' estate.
- (c) A receiver or liquidator, in the name of a company that maintained a Business Foreign Currency Account with that authorized dealer or restricted dealer, until proceedings are concluded.

### (2) A Non-Governmental Organization shall not be permitted to open and maintain a Business Foreign Currency Account.

### (3) Permitted Credits

- (a) Remittances received in foreign exchange from abroad through the banking system in respect of, export of goods and services, entrepot trade, overseas projects undertaken by the account holder, investments made outside Sri Lanka and goods supplied locally to a person resident outside Sri Lanka.
- (b) Remittances received in foreign exchange through the banking system from the overseas employers with whom the account holder has an arrangement for the disbursement of wages and/or earnings of Sri Lankans who are rendering services to such overseas employer.

- (c) Foreign currency in the form of travellers' cheques, bank drafts or currency notes accepted by the account holder in Sri Lanka in respect of goods and services supplied by such person to a person resident outside Sri Lanka.
  - (d) Where the account holder is a shipping agent or a general sales agent in Sri Lanka, remittances received in foreign exchange through the banking system from the respective foreign principal or from a designated third party on behalf of the foreign principal for the purposes under the respective agency agreements.
  - (e) Freight collected in foreign exchange by the account holder who is a shipping agent or a general sales agent in Sri Lanka on behalf of the foreign principal, by way of a remittance against a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit.
  - (f) Foreign currency brought into Sri Lanka by the account holder upon declaration [i.e., where such foreign currency notes exceeds or equals to USD 15,000 or its equivalent in other foreign currency on a declaration to Customs Department or where such foreign currency notes are less than USD 15,000 or its equivalent in other foreign currency on an appropriate declaration to the authorized dealer or restricted dealer].
  - (g) Transfers from Business Foreign Currency Accounts or accounts maintained in the Offshore Banking Unit, irrespective of the account holder.
  - (h) Payments received in foreign exchange in favor of the account holder being consideration for goods or services supplied to a resident, to the extent such payments and receipts or categories of transactions have been permitted by directions issued by the Central Bank.
  - (i) Proceeds of foreign currency loans and advances obtained by the account holder from the domestic banking unit or Offshore Banking Unit of an authorized dealer or a restricted dealer, with the prior approval of the Central Bank.
  - (j) Proceeds or any part thereof from sale of any foreign asset of the account holder, where the asset had been acquired by debiting the Business Foreign Currency Account.
  - (k) Capital, capital gains and other receipts arising from investments made in Sri Lanka in foreign currency, if the original transfer had been made by debiting the Business Foreign Currency Account (or from the Foreign Exchange Earners' Account of the account holder prior to this order come into effect).
  - (l) Capital and capital gains received from foreign investments into an Outward Investment Account, if the original investment had been made by debiting the Foreign Exchange Earners' Account of the account holder prior to this order come into effect.
  - (m) Unutilized foreign currency obtained by the account holder debiting the Business Foreign Currency Account as per sub paragraphs (4)(c) and (4)(d) of paragraph 2 of this Schedule.
  - (n) Unutilized balance remaining in the Foreign Travel Card of the same account holder, up to the amount such Foreign Travel Card had been loaded from the Business Foreign Currency Account.
  - (o) Insurance premia received by the account holder on foreign currency denominated policies issued to eligible customers and co-insurers and claims received from re-insurers and National Insurance Trust Fund by Insurance companies registered with the Insurance Board of Sri Lanka.
  - (p) Transfers from Personal Foreign Currency Accounts of the non-national employee resident in Sri Lanka, being overpayments of salaries and any other benefits.
  - (q) Transactions or transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by Directions issued by the Central Bank.
  - (r) Remittances originating outside Sri Lanka from the account holder in terms of Section 8(3) of the Act.
  - (s) Interest earned in foreign currency on the funds held in the account.
- (4) Permitted Debits
- (a) Any outward remittances made outside Sri Lanka.
  - (b) Disbursements in Sri Lanka in Sri Lanka Rupees.
  - (c) Withdrawal in foreign currency notes up to USD 10,000 (or equivalent in any other foreign currency) for travel purpose as permitted by directions issued by the Central Bank.
  - (d) Withdrawal in foreign currency notes up to USD 50,000 (or equivalent in any other foreign currency) at a time

by gem and jewellery dealers for the purpose of purchasing cut and polished or rough gem stones and other raw materials abroad upon submission of confirmation obtained from the National Gem and Jewellery Authority.

- (e) Where the account holder is a shipping agent or a general sales agent in Sri Lanka, withdrawal in foreign currency notes up to USD 50,000 (or equivalent in any other foreign currency) per vessel per call as Cash-to-Masters, against inward remittance received from the foreign principal or from designated third parties on behalf of the foreign principal, on a request with the reasons acceptable to the authorized dealer or restricted dealer.
  - (f) Where the account holder is a shipping agent or a general sales agent in Sri Lanka, repatriation of the surplus funds to the foreign principal, provided that a confirmation in writing is obtained from the account holder (i.e., Agent) to the effect that adequate funds have been retained in the account, to meet all local liabilities of the foreign principal in Sri Lanka including tax payable to the Government and the agency commission.
  - (g) Transfers to Business Foreign Currency Accounts, Personal Foreign Currency Accounts or accounts maintained in the Offshore Banking Unit, irrespective of the account holder.
  - (h) Transfers to an Outward Investment Account of the same account holder.
  - (i) Transfers to an Inward Investment Account of a resident outside Sri Lanka for the purpose of repayment of a foreign currency loan obtained from such foreign lender by the account holder.
  - (j) Transfer of funds for uploading a Foreign Travel Card.
  - (k) Debt servicing expenses and repayment of foreign currency loans obtained by the account holder from authorized dealers or restricted dealers.
  - (l) Transfers in respect of any investment permitted to be made in Sri Lanka in foreign currency utilizing funds in the Business Foreign Currency Account.
  - (m) Payments of claims to eligible customers and co-insurers in respect of foreign currency denominated policies, premia to local or overseas re-insurers and National Insurance Trust Fund and brokerage by insurance companies registered with the Insurance Board of Sri Lanka.
  - (n) Payments to residents in foreign exchange in respect of transactions or categories of transactions, to the extent such transactions have been permitted by directions issued by the Central Bank.
  - (o) Transactions or transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.
- (5) Under no circumstances Sri Lanka Rupees shall be converted into foreign currency and be credited into a Business Foreign Currency Account.

3. For the purpose of this Schedule-

“National Gem and Jewellery Authority” means the National Gem and Jewellery Authority established under National Gem and Jewellery Authority Act, No. 50 of 1993;

“Civil Aviation Authority of Sri Lanka” means the Civil Aviation Authority established under the Civil Aviation Authority Act, No. 34 of 2002;

“Director General of Merchant Shipping” means the Director General of Merchant Shipping appointed under the Merchant Shipping Act, No. 52 of 1971;

“National Insurance Trust Fund” means the National Insurance Trust Fund established by the National Insurance Trust Fund Act, No. 28 of 2006;

**LD. B 10/2017**

**FOREIGN EXCHANGE ACT, No. 12 of 2017**

**Order under Section 8**

BY virtue of the powers vested in me by paragraphs (a) and (b) subsection (1) of section 8 of the Foreign Exchange Act, No. 12 of 2017, I, Ranil Wickremesinghe, Minister of National Policies and Economic Affairs, do, by this Order, prescribe the purposes, limits, terms and conditions as specified in the Schedule I hereto, subject to which a person in or resident in Sri Lanka shall-

- (a) export from Sri Lanka or import into Sri Lanka, any foreign currency or Sri Lanka currency;
- (b) hold foreign exchange in his possession or in a bank account in Sri Lanka;

Orders made under the Exchange Control Act as repealed by the Foreign Exchange Act, No. 12 of 2017 and specified in the Schedule II hereto are hereby revoked.

RANIL WICKREMESINGHE,  
Minister of National Policies and Economic Affairs

Colombo,  
17th November, 2017.

## SCHEDULE I

### PART I

#### PURPOSES, LIMITS, TERMS AND CONDITIONS FOR IMPORT AND EXPORT OF FOREIGN CURRENCY OR SRI LANKA CURRENCY

1. (1) Any person departing from or arriving in Sri Lanka may carry any amount of foreign exchange in the form of currency notes, bank drafts, cheques, travel cards, etc. legitimately acquired by such person subject to a declaration made to the Customs Department at the port of departure or arrival, respectively, if the total value of such foreign exchange exceeds United States Dollars 15,000 or its equivalent in other foreign currencies.
- (2) However, where a person arriving in Sri Lanka intends to take back foreign currency notes exceeding United States Dollars 10,000 or its equivalent in other foreign currencies or departing from Sri Lanka carries foreign currency notes exceeding United States Dollars 10,000 or its equivalent in other foreign currencies, such person is required to make a declaration to the Customs Department.
2. Any person in, or resident in, Sri Lanka may take out of, or bring into Sri Lanka, respectively, Sri Lanka currency up to the value of Sri Lanka Rupees 20,000.
3. Any authorized dealer may export from or import in to Sri Lanka, foreign currency which has been acquired in or for the normal course of their business and within the terms of his authorization.
4. For the purpose of this Part –  
“authorized dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

### PART II

#### PURPOSES, LIMITS, TERMS AND CONDITIONS FOR HOLDING OF FOREIGN EXCHANGE IN POSSESSION

1. Holding foreign exchange by a person in or resident in Sri Lanka
  - (1) Any person in, or resident in, Sri Lanka may retain in his possession foreign currency notes up to the value of United States Dollars 10,000 or its equivalent in other foreign currencies, for any period, irrespective of the time period restrictions mentioned in paragraph 2 herein, provided that, such foreign currency represents:
    - (a) foreign currency purchased by such person from an authorized dealer or a restricted dealer for travel abroad of such person and brought back as unutilized currencies while returning to Sri Lanka; or
    - (b) foreign currency received by such person from outside Sri Lanka as a payment for a service rendered or goods supplied abroad by such person to a person resident outside Sri Lanka, or from any other legitimate source; or
    - (c) foreign currency notes withdrawn by such person from his Personal Foreign Currency Accounts or Business Foreign Currency Accounts for travel purpose.
  - (2) (a) Any person may retain in his possession foreign currency accepted in respect of goods and services supplied by such person to a person resident outside Sri Lanka or a person in or, resident in Sri Lanka carrying on a permitted business to supply goods and services under duty free concessions to passengers arriving in or departing from Sri Lanka at the ports in Sri Lanka irrespective of the residential status of the passenger to whom such goods and services are provided.
    - (b) Such person shall not retain foreign currency so accepted, for a period exceeding 7 days from the date of acceptance, without depositing in a Business Foreign Currency Account in the name of the person who accepted such foreign currency or selling to an authorized dealer or to a restricted dealer, upon submitting evidence to such effect.

- (3) Any person resident outside Sri Lanka may in Sri Lanka retain in his possession without limit foreign currency if such foreign currency was acquired by him whilst he was outside Sri Lanka or from foreign exchange accounts maintained with authorized dealers or restricted dealers.
2. Period for retention of foreign exchange shall be as follows:-
- (1) Any person who obtains foreign currency from an authorized dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorized dealer or restricted dealer and does not use it for such purpose shall not retain such foreign currency for a period exceeding ninety(90) days from the date of receipt of such foreign currency without converting into Sri Lanka Rupees.
- (2) (a) Any person who obtains foreign currency from an authorized dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorized dealer or restricted dealer thereafter brings back to Sri Lanka said foreign currency or part thereof, such person shall not retain such foreign currency for a period exceeding ninety(90) days from the date of repatriation without converting into Sri Lanka Rupees.
- (b) However, a person who obtained foreign currency notes for travel purpose up to the value of United States Dollars 10,000 or its equivalent in other foreign currencies under sub paragraph (1)(a) of paragraph 1 shall be permitted to deposit into an existing foreign currency account maintained with an authorized dealer or restricted dealer.
- (3) Any person who proceeds outside Sri Lanka for taking up employment, professional work or setting up a business, earns or receives foreign currency from such employment, profession or business and brings back to Sri Lanka, such person shall not be entitled to retain such foreign currency for a period exceeding ninety (90) days from the date of its repatriation without converting into Sri Lanka Rupees or crediting into a foreign exchange account opened and/or maintained by such person in accordance with the provisions of the Foreign Exchange Act, No. 12 of 2017.
3. For the purpose of this Part -
- “authorized dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017; and
- “restricted dealer” means any person, class or classes of persons not being an authorized dealer, permitted by the Central Bank of Sri Lanka to deal in foreign exchange under paragraph (a) of Sub section (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017.

#### SCHEDULE II

<i>Gazette No.</i>	<i>Date of issue</i>	<i>Purpose</i>
1947/13	29.12.2015	Order under subsections (1) and (2) of section 17 of the Exchange Control Act (Chapter 423) as repealed by the Foreign Exchange Act, No. 12 of 2017
1947/15	29.12.2015	Order under section 6AB read with section 44 of the Exchange Control Act (Chapter 423) as repealed by the Foreign Exchange Act, No. 12 of 2017
1686/50	01.01.2011	Order under subsections (1) and (2) of section 17 of the repealed Exchange Control Act (Chapter 423) as repealed by the Foreign Exchange Act, No. 12 of 2017
1631/36	11.12.2009	Order under section 17 of the repealed Exchange Control Act (Chapter 423) as repealed by the Foreign Exchange Act, No. 12 of 2017.
1854/3	17.03.2014	Order under section 17 of the repealed Exchange Control Act (Chapter 423) as repealed by the Foreign Exchange Act, No. 12 of 2017.

**LD. B 10/2017**

### FOREIGN EXCHANGE ACT, No. 12 of 2017

#### Order under Section 31

BY virtue of the powers vested in me by subsection (3) of section 31 of the Foreign Exchange Act, No. 12 of 2017, I, Ranil Wickremesinghe, Minister of National Policies and Economic Affairs do by this Order, determine that such persons as specified in the schedule hereto shall be residents in Sri Lanka for the purpose of the aforesaid Act.

Direction issued under the Exchange Control Act (Chapter 423) as repealed by the Foreign Exchange Act, No. 12 of 2017 and published in the *Gazette Extraordinary* No. 15007 of April 21, 1972 is hereby revoked.

RANIL WICKREMESINGHE,  
Minister of National Policies and Economic Affairs

Colombo,  
17th November, 2017.

### SCHEDULE

1. Any citizen of Sri Lanka or any citizen of a foreign country married to a citizen of Sri Lanka, if such person has been in Sri Lanka for a period of 183 days or more in aggregate during the preceding 12 months.
2. Any citizen of Sri Lanka:
  - (a) who has proceeded outside Sri Lanka temporarily on holiday, education, business, medical treatment, or for any other similar reason, for a period not more than 182 days in aggregate during the preceding 12 months.
  - (b) who has proceeded outside Sri Lanka on a Student or equivalent Visa granted by another country.
3. (a) Diplomatic Representatives, Consuls or Trade Commissioners of the Government of Sri Lanka resident outside Sri Lanka (by whatever name or title designated);
  - (b) Any person who is a citizen of Sri Lanka, if he is a member of the staff of any person referred to in paragraph 3 (a) above;
  - (c) A member of the staff of a Government Corporation, a Government Institution, a Statutory Board, a licensed bank or a Company which is incorporated in Sri Lanka; serving abroad, except for those recruited abroad;
  - (d) Any member of the family of any person treated as being resident in Sri Lanka under the paragraphs 3 (a) to 3 (c) above.
4. Citizens of foreign countries who are resident in or employed in Sri Lanka under the relevant visa issued by the Department of Immigration and Emigration but not passengers in transit to other countries or visitors touring the country for pleasure or business.
5. Following institutions incorporated or registered in Sri Lanka irrespective of the status of the citizenship of the persons owning, controlling or managing such institutions;
  - (a) Companies incorporated in Sri Lanka;
  - (b) Overseas Companies registered under the Companies Act, No. 7 of 2007 including branches of licensed banks incorporated outside Sri Lanka (foreign banks);
  - (c) Companies registered as offshore companies;
  - (d) Clubs, societies or any other organizations including Non-Governmental Organizations registered in Sri Lanka.
6. Trustees of another country of will trusts or *inter-vivos* settlements and administrators of estates or executors of last wills when acting solely in that capacity where the deceased at the time of death, or the settler at the time the settlement was made, was a resident in terms of the paragraphs 1 to 5, above.
7. Citizens of Sri Lanka who are employed on a Sri Lankan ship, within the meaning of the Merchant Shipping Act, No. 52 of 1971 during the period the individual is so employed.
8. Individuals who are citizens of Sri Lanka or of Sri Lankan origin who do not satisfy the conditions in paragraphs 1, 2, 3 or 7 above shall deemed to be residents in Sri Lanka only for the purpose of opening and maintaining Personal Foreign Currency Accounts subject to the regulations, orders and directions issued under the Act.

**The Gazette of the Democratic Socialist Republic of Sri Lanka**  
**EXTRAORDINARY**  
No. 2046/8 - MONDAY, NOVEMBER 20, 2017  
(Published by Authority)

**PART I : SECTION (I) — GENERAL**  
**Central Bank of Sri Lanka Notices**  
**NOTICE UNDER THE FOREIGN EXCHANGE ACT**

NOTICES published in the *Extraordinary Government Gazette Notifications* under the Exchange Control Act, No. 24 of 1953



(Chapter 423 of the CLE), by the Controller of Exchange are hereby repealed.

U. P. ALAWATTAGE  
**Director of Foreign Exchange**

Central Bank of Sri Lanka,  
Colombo,  
20th November, 2017

**Direction No. 01 of 2017 Under Foreign Exchange Act, No. 12 of 2017**

20 November 2017

### **DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON CURRENT TRANSACTIONS**

In terms of Section 9 (1) of the Foreign Exchange Act, No. 12 of 2017 (the Act), Authorized Dealers are permitted to carry out current transactions under Section 6 of the Act, subject to the following.

1. An Authorized Dealer may deal in foreign exchange for current transactions as defined in Section 33 of the Act, as a principal or as an intermediary, to the extent specified in its respective authorization in terms of Section 4 of the Act.
2. A person in, or resident in, Sri Lanka may engage in current transactions of such person (including those of his spouse, children or parents) involving conversion of Sri Lanka Rupees in to foreign exchange or vice versa.
3. Authorized Dealers shall release foreign exchange without restriction for current transactions as indicated in Schedule I to these Directions, after satisfying themselves with the bona-fide and verification of the requests as required by Section 6 (3) of the Act. Schedule I to these Directions is an indicative list which provides examples for certain types of current transactions and not an exhaustive list of current transactions.
4. In assessing the bona-fide and carrying out verification, Authorized Dealers shall take into account documentary evidence or any other available information relating to the nature of the transaction and the beneficiary of the remittance.
5. A guideline to dealing in foreign exchange on current transactions is given in Schedule II to these Directions. These transactions cover both payments (outflows) and receipts (inflows) and any inward remittance for any type of current transaction is freely permitted.
6. Authorized Dealers shall retain any information or documentation relating to the basis on which each current transaction is undertaken for a period of six years from the date of such transaction, for verification by the Central Bank of Sri Lanka.
7. An Authorized Dealer may refuse to deal in foreign exchange for a current transaction for reasons set out in Sections 6 (4) of the Act subject to complying with Section 6 (5) of the Act.
8. Reporting of transactions:
  - 8.1. Authorized Dealers shall obtain accurate and duly completed Form 1 (sales of foreign exchange) and Form 2 (purchases of foreign exchange) as per the new formats given in Annex I and Annex II, respectively, from its customers who buy and sell foreign exchange, in respect of permitted transactions which require conversion of Sri Lanka Rupees into foreign exchange or vice versa with effect from 01 April 2018. Until then, Authorized Dealers shall use the existing formats given in Form 1 and Form 2 in Annex III and Annex IV, respectively, to these Directions.
  - 8.2. Authorized Dealers shall submit information on all foreign exchange sales and purchases (irrespective of the value of transactions) electronically through the Foreign Exchange Transactions Monitoring System – FOREX Net (<https://www.cbsl.lk/forexnet>) on daily basis to the Department of Foreign Exchange.
  - 8.3. Authorized Dealers shall retain Form 1 and Form 2 obtained as per Paragraph 8.1 above along with necessary documentary evidence to establish bona-fide of the underlying transactions at least for six years within the bank/branch premises or at a Centralized Processing Unit from the date of the transaction, enabling inspections by the Central Bank of Sri Lanka as and when considered necessary.
  - 8.4. Authorized Dealers shall incorporate verification of accuracy and completeness of information in Form 1 and Form 2 submitted electronically to the Department of Foreign Exchange, in its internal audits, periodic reviews and compliance programs and evidence to that effect shall readily be available for inspections by the Central Bank of Sri Lanka.

**Director-Department of Foreign Exchange**

## Schedule I to the Directions No. 01 of 2017

**An Indicative list of Current Transactions****1. Foreign trade, other current business, including services and normal short-term banking and credit facilities****1.1 Foreign Trade****1.1.1 Import of Goods in to Sri Lanka and Export of Goods from Sri Lanka**

- 1.1.1.1 General merchandise, which includes movable goods.
- 1.1.1.2 Export or import of goods for repairs or processing.
- 1.1.1.3 Goods procured in ports by carriers, such as fuels, provisions, stores and supplies.

**1.1.2 Entrepot Trade**

- 1.1.2.1 Goods imported and stored in a Customs bonded warehouse until re-exported to a third country.
- 1.1.2.2 Re-packing/re-labelling/simple processing of goods imported carried out in a Customs bonded warehouse or bonded area before exporting to a third country.
- 1.1.2.3 Export of goods directly from a second country to a third country without goods physically arriving in Sri Lanka.
- 1.1.2.4 Transfers from a ship or air-craft to another within a port in Sri Lanka without cargo taken into a Customs bonded warehouse.

**1.2 Other Current Businesses, including Services**

- 1.2.1 Manufacturing services on physical inputs owned by others (processing services) which include processing, assembly, labeling and packing etc.
- 1.2.2 Maintenance and repair services which include repairs and maintenance on ships, air crafts and other transport equipment etc.
- 1.2.3 Transportation services which include services involving carriage of passengers, movement of goods (freight) and related supporting services including postal, courier, cargo handling and storage services etc.
- 1.2.4 Travel related to business, education, health, holiday, pilgrimage, seminars, sports, conferences, cultural activities, visits etc. including travel services arranged through travel agents, tour operators or other service providers.
- 1.2.5 Construction services which include creation, renovation, repair, design, extensions of fixed assets (in the form of buildings, land improvements of engineering nature etc.), construction and installation of projects (as roads, bridges, dams etc.), site preparations and specialized services such as painting, plumbing, demolition and management of construction projects etc.
- 1.2.6 Communication services which include postal, courier, radio and telecommunication services etc.
- 1.2.7 Insurance related services which include freight or marine insurance, re-insurance and other insurance subject to the local regulations relating to insurance.
- 1.2.8 Financial services which include fees, commissions, brokerage, factoring, underwriting or payment clearing charges, credit rating fees, trust fees and other intermediary service fees etc.
- 1.2.9 Telecommunication, computer and information services which include broadcasting and transmission services, business network services, computer hardware and software services, system maintenance and other support services (installation, repair, related licenses to use etc.), design and programing, warranty claims, renewal fees and data processing or web hosting services etc.
- 1.2.10 Royalties and other business related fees which include licence fees, franchise fees, management fees, termination fees, product support service fees and entrance fees etc.
- 1.2.11 Charges for the use of intellectual proprietary rights such as patents, copy rights, industrial processes, designs, trade secrets, exclusive rights for title sponsorships, media licenses, lease rentals and other transferable contracts etc.
- 1.2.12 Other business services, which include research and development services, professional and management consultancy services (including legal, accounting, managerial, advisory, public relations, advertising, market research services etc.), technical services (including architectural, engineering services etc.), trade related services (including merchanting (entrepot), vessel operations by local shipping companies in the international waters including disbursement of foreign crew wages thereof, procurement of provisions, related statutory payments, rentals for charters of ships, aircraft or containers, etc.) and other business services.
- 1.2.13 Personal, cultural and recreational services including audiovisual and related services etc.
- 1.2.14 Fees and charges which include membership subscriptions, registration and participation fees in global conferences/

seminars/courses, examination fees, honorarium payments, coordination charges, commitment fees, charges for international publications etc.

- 1.2.15 Other services which include all services between Governments, International and regional Organizations and public and private Institutions; such as embassy expenses, visa fees, skills or credential assessment fees, medical examination fees and processing fees on visa registration of documents etc.
- 1.2.16 Other current businesses which include the following:
- 1.2.16.1 Refundable deposits or securities to be placed in advance by residents in Sri Lanka in favour of residents outside Sri Lanka or vice-versa, with respect to an underlying current transaction.
  - 1.2.16.2 Refund of payments to residents outside Sri Lanka (received as inward remittances with respect to an underlying current transaction) upon cancellation of the respective business, service agreements or contracts between the parties.
  - 1.2.16.3 Remittances for the purchase of goods relating to projects or contracts undertaken in overseas by resident companies, including shipping or air freight and other transportation expenses etc. in relation to such goods procured from overseas.
  - 1.2.16.4 Release of retention money to foreign contractors upon successful completion of projects or contracts in Sri Lanka, undertaken for the resident employer companies/institutions.
  - 1.2.16.5 Remittance of any unspent or unutilized funds received as inward remittances from overseas donors or agencies for projects or contracts in Sri Lanka undertaken by resident project companies/institutions.
  - 1.2.16.6 Remittance of funds collected by Shipping, Airline Agencies and Freight Forwarders in Sri Lanka as freight and passage collections in Sri Lanka Rupees, to the respective foreign principals with whom such service providers have agency agreements.
  - 1.2.16.7 Remittance of funds collected by Visa service or processing centers (which are not diplomatic missions) and Educational/training institutions in Sri Lanka; as visa fees, examination or registration fees in Sri Lanka Rupees or in foreign currency from visa applicants and local students, respectively, to the foreign entities with whom such service providers have agreements.
  - 1.2.16.8 Remittances by an Overseas company registered under the Companies Act, No. 07 of 2007 (as amended) as reimbursement of expenses (incurred in relation to Overseas company operations in Sri Lanka) to the parent company in overseas.
  - 1.2.16.9 Remittances as intercompany charges by a company in Sri Lanka (provided that underlying is a current transaction), which is affiliated to a Multinational company.
  - 1.2.16.10 Remittance of funds in advance to meet living expenses of students residing in Sri Lanka who apply for student visa (student's visa approved in principle), as per the requirements of certain Governments of foreign States.

### 1.3 Normal short-term Banking and Credit facilities

#### 1.3.1 *Letters of Credit (LCs)-*

Authorized Dealers may issue, extend the validity period and amend clauses of LCs, when such LCs are established under the provisions of the Uniform Custom Practice for Documentary Credits of International Chamber of Commerce, in order to facilitate international trade transactions.

#### 1.3.2 *Interest payments on foreign supplier credit facilities –*

Authorized Dealers may remit interest payment on credit facilities offered to importers of goods by foreign suppliers (i.e., in the case of payment terms involving a credit period) not exceeding the prevailing international rates of interest and beyond the credit period offered or actual settlement date (whichever comes first).

#### 1.3.3 *Bank Guarantees and Standby Letters of Credit (SBLCs)-*

Authorized Dealers may issue and renew bank guarantees or SBLCs, in respect of current transactions and make payments as claims on such bank guarantees or SBLCs.

## 2. Interest on Loans and Net Income from Other Investments

### 2.1 *Investment income, which includes dividends, interest, rent and profits-*

- 2.1.1 Investment income including income from government securities, direct and portfolio investments.

2.1.2 Payment of loan interest, commitment fees, loan administration and other related fees and charges in respect of loans obtained under the provisions of the repealed Exchange Control Act, No. 24 of 1953 or the Foreign Exchange Act, No. 12 of 2017.

2.1.3 Profits and dividends of companies or partnerships declared out of current earnings not including profits or dividends declared out of undistributed profits of previous years, any transfers from the company reserves or sale of fixed assets.

### 3. Payments for Amortization of Loans and depreciation of Direct Investments

3.1 Payments falling due in respect of loan agreements where the amounts and timing of repayment of capital and interest payments are in accordance with the terms and conditions of loans approved under the provisions of the repealed Exchange Control Act, No. 24 of 1953 or the Foreign Exchange Act, No. 12 of 2017.

3.2 A reasonable sum of payment as depreciation of direct investments, where such investments have been generally or specifically approved under the Foreign Exchange Act, No. 12 of 2017.

### 4. Remittances for Family living expenses

4.1 Payments to expatriate employees (irrespective of the nationality) which include wages, salaries and other employment benefits including pension or provident fund contributions, unclaimed or reimbursement of living and other expenses etc., paid by the employers.

4.2 Remittance of funds as payments or reimbursement of accumulated salaries and employment or other related benefits of former or current expatriate employees directly to expatriates' account or to designated third-party accounts (i.e., International pension funds or schemes, parent companies etc.) maintained in overseas.

4.3 Remittance of funds for maintenance of families or dependents (parents, spouse, children) living abroad.

### 5. Miscellaneous Current Transfers

5.1 Government and private transfers relating to gifts of food, clothing and other consumer goods, medical supplies etc., associated with relief efforts.

5.2 Fines, penalties, charges and claims imposed by courts of law and other Government or Institutional regulatory bodies on non-compliances or violations and payments of compensations which include compensation for injury to persons or damage to property or other losses (not covered by insurance policies), compulsory payments awarded or settlements agreed at the Courts of law.

## Schedule II to the Directions No. 01 of 2017

### Guideline to dealing in foreign exchange for Current Transactions

#### (1) Trade Payments

##### 1.1 Merchandise Exports

###### 1.1.1 General Policy

1.1.1.1 Payments for merchandise exports which generate foreign exchange earnings to the country are permitted without restriction, subject to the trade policy of the Government.

1.1.1.2 Export proceeds shall be credited to any Sri Lanka Rupee account or to a Business Foreign Currency Account opened and maintained by the exporter with an Authorized Dealer.

###### 1.1.2 Commissions and Claims

1.1.2.1 Remittances of commissions to agents abroad with respect to merchandise exports or business transactions secured by a resident in Sri Lanka where such export proceeds or inward remittances have been repatriated to Sri Lanka.

1.1.2.2 Remittances for claims by foreign buyers in respect of quality and quantity deficiencies of goods exported, where the export proceeds have been received in Sri Lanka.

1.1.3 **Return or cancellation of Inward remittances** - Authorized Dealers may return inward remittances received in Sri Lanka for merchandise exports and later recalled by the sender, where such export orders have not been completed or funds have been received in excess, etc.

## 1.2 Merchandise Imports

- 1.2.1 **General Policy** - Payments for imports of goods are permitted without restriction, subject to the trade policy of the Government.
- 1.2.2 **Import payments to designated third parties**- Authorized Dealers shall release foreign exchange for payments by importers of goods to designated third parties in overseas, in respect of goods supplied by another foreign supplier (as per agreed sales contracts between the buyer and seller).

## 1.3 Entrepot Trade

### 1.3.1 General Policy

- 1.3.1.1 Payments for importation of goods for re-export purposes under entrepot trade are permitted without restriction through the banking system other than through the Electronic Fund Transfer Cards, subject to the trade policy of the Government.
- 1.3.1.2 Payments for importation of goods under entrepot trade shall be less than the corresponding payment that would be received, ensuring a sufficient margin to the local trader to cover the value-added costs, other local charges including bank charges, and profits.

## (2) Service Payments

- 2.1 **General Policy** - Payments for services falling under current transactions are freely permitted.
- 2.2 **Return or cancellation of Inward remittances** - Authorized Dealers may return inward remittances received in Sri Lanka and later recalled by the sender, where funds have been received in excess or unutilized, etc.

## (3) General

### 3.1 Release of foreign exchange for Travel purpose

- 3.1.1 Authorized Dealers shall release travel allowance to persons resident in Sri Lanka who are travelling abroad for any purpose (including travel, business, training, medical treatment abroad, etc.), subject to a maximum of USD 10,000 (or its equivalent in other foreign currency) in foreign currency notes, with an appropriate endorsement made on the passport where such person is a citizen of Sri Lanka.
- 3.1.2 Authorized Dealers may issue Foreign Travel Cards (FTCs) to persons who are eligible to obtain travel allowance in foreign currency when leaving Sri Lanka for travelling abroad. An FTC shall be issued by debiting any account where permission has been granted to issue foreign currency for travel purposes, as per the Directions issued under the Act.
- 3.2 **Payment Cards** - Authorized Dealers may issue Electronic Fund Transfer Cards (EFTCs), i.e., credit/debit/stored value cards, to a person in Sri Lanka for making payments in foreign exchange to residents outside Sri Lanka for personal use, i.e., for the purpose of the holder of card, spouse, children and parents, not including use for any commercial purpose. The issuing and use of EFTCs shall be subject to the separate specific Directions issued in this regard.
- 3.3 **Forward Sales and Purchases** - Authorized Dealers may enter into forward contracts with customers in order to hedge their exposure to exchange risk in respect of an underlying current transaction on being satisfied that they constitute genuine transactions undertaken in the ordinary course of business of their customer.
- 3.4 **Reconversion of unexpended Rupees** - Authorized Dealers may reconvert into foreign exchange of any unexpended Sri Lanka Rupees of foreign passport holders on the production of relevant encashment receipts issued by Authorized Dealers.

**Annex I to the Directions No. 01 of 2017**

Sale of Foreign Exchange by an Authorised Dealer															Form 1									
NIC/Passport/ Company Reg. No.										Serial No.														
Income Tax File No.																								
Applicant Name					Applicant Address					Bank Code					Purpose Code									
										Branch Code					Sub Purpose Code									
Air Ticket No. (Only for travel purpose)					Beneficiary Name					Country Code					Currency Code					Released Foreign Exchange Amount				
										Bank Draft														
Beneficiary Address										Telegraphic Transfer														
Purpose										Travel Card														
Applied Foreign Exchange Amount					USD					Other (specify)					Currency issuance									
					EUR																			
					GBP																			
I declare that all information given by me is true and correct.																								
Date					Signature of Applicant																			
Bank Use	Date				Signature of Teller				Signature & seal of the Authorized Dealer				Notes											
Note : The applicant should be the person who converts Sri Lanka Rupees to Foreign Exchange For example a company providing foreign exchange to an employee for business travel shall be the applicant and the employee shall be the beneficiary.																								

**Annex II to the Directions No. 01 of 2017**

Purchase of Foreign Exchange by an Authorised Dealer															Form 2				
NIC/Passport/ Company Reg. No.										Serial No.									
Income Tax File No.																			
Applicant Name					Applicant Address					Bank Code					Purpose Code				
										Branch Code					Sub Purpose Code				
Remitter Name					Remitter Address					Country Code					Currency Code				
										LKR Amount					Released Amount				
Purpose																			
Accepted Foreign Exchange Amount					USD					Total									
					EUR														
					GBP														
I declare that all information given by me is true and correct.																			
Date					Signature of Applicant														
Bank Use	Date				Signature of Teller				Signature & seal of the Authorized Dealer				Notes						
Note : Form 2 should be signed personally by the beneficiary. In instances where the Authorised Dealer purchases the inward remittance on behalf of a constituent and inter account transfers through online banking system, the application may be signed by the Authorised Dealer.																			

## Annex III to the Directions No. 01 of 2017

AD	Branch	Serial No.														
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**CENTRAL BANK OF SRI LANKA**  
**Information on Release of Foreign Exchange**  
**Form 1 - Sales of Foreign Exchange**

To: Authorized Dealer	To: Director/Department of Foreign Exchange
<p><b>To be filled by the applicant for foreign exchange.</b></p> <p>Name in full : .....</p> <p>(In Block Letters) .....</p> <p>Address: .....</p> <p>(In Block Letters) .....</p> <p>N.I.C. No: .....</p> <p>Passport No: .....</p> <p>Income Tax File No: .....</p> <p>Airline: .....</p> <p>Air Ticket No: .....</p> <p>Proposed Date of Departure: .....</p> <p>Destination: .....</p> <p>Name and Address of the Beneficiary: .....</p> <p>.....</p> <p>Purpose of Purchase/Remittance: .....</p> <p>.....</p> <p>.....</p> <p>Foreign Exchange Applied for</p> <p>Travel Card : .....</p> <p>Drafts : .....</p> <p>Currency Notes : .....</p> <p>Other (Specify) : .....</p> <p>For Imports : .....</p> <p>Item : .....</p> <p>Value : .....</p> <p>I declare that all details given above by me on this form are true and correct. I have not made any other application for foreign exchange for this purpose through any other Authorized Dealer.</p> <p>Date : .....  DD.MM.YY                      Signature of Applicant</p>	<p><b>To be filled by the AD authorized to issue foreign exchange</b></p> <p>Bank Code : .....</p> <p>Branch Code : .....</p> <p>Country Code : .....</p> <p>Purpose Code : .....</p> <p>Currency Code : .....</p> <p>Foreign Exchange released</p> <p>Travel Card : .....</p> <p>Drafts : .....</p> <p>Currency Notes : .....</p> <p>Other (specify) : .....</p> <p>Bank Reference No : .....</p> <p>I have examined the relevant document and am satisfied with the bona-fide of the request and confirm the sale of foreign exchange for the purpose given by the applicant.</p> <p>Date : .....  DD.MM.YY                      Signature and Seal of Authorized Dealer</p>
<p>N.B. Form I should be signed personally by the applicant. Applications signed by third parties should not be accepted. Information on all foreign exchange sales (details of Form 1 irrespective of value of the transaction) shall be submitted by ADs electronically through FOREX Net (<a href="https://www.cbsl.lk/forexnet">https://www.cbsl.lk/forexnet</a>) on daily basis to the Department of Foreign Exchange.</p>	

AD - Authorized Dealer

**Annex IV to the Directions No. 01 of 2017**

AD	Branch	Serial No.
□□□	□□□	□□□□□□

**CENTRAL BANK OF SRI LANKA**  
**Information on Inward Remittances of Foreign Exchange**  
**Form 2 - Purchase of Foreign Exchange**

<p><b>To: Authorized Dealer</b></p> <p><b>To be filled by the beneficiary of the Inward Remittance</b></p> <p>Name in full : .....</p> <p>Address: .....</p> <p>N.I.C. No: .....</p> <p>Income Tax File No: .....</p> <p>Name and Address of the Remitter : .....</p> <p>Air Ticket No: .....</p> <p>Purpose of the Inward Remittance: .....</p>	<p><b>To: Director/Department of Foreign Exchange</b></p> <p><b>To be filled by the AD</b></p> <p>Bank Code : .....</p> <p>Branch Code : .....</p> <p>Country Code : .....</p> <p>Currency Code : .....</p> <p>Amount : .....</p>
<p>Currency &amp; Amount : .....</p> <p>I declare that all details given above by me on this form are true and correct and funds received will be used only for the purpose given in this form.</p> <p>Date : .....                  DD.MM.YY                      Signature of Applicant</p>	<p>I have examined the relevant documents and am satisfied with the bona-fide of the remittance and confirm that the purchase of foreign exchange is in conformity with the purpose given by the remitter.</p> <p>Date : .....                  DD.MM.YY                      Signature and Seal of Authorized Dealer</p>
<p>N.B. Form 2 should be signed personally by the beneficiary. In instances where the Authorized Dealer purchases the inward remittance on behalf of a constituent and inter account transfers through online banking systems, the application may be signed by the Authorized Dealer. Information on all foreign exchange purchases (details of Form 2 irrespective of the value of the transaction) shall be submitted by ADs electronically through FOREX Net (<a href="https://www.cbsl.lk/forexnet">https://www.cbsl.lk/forexnet</a>) on daily basis to the Department of Foreign Exchange.</p>	

**AD - Authorized Dealer**

**Directions No. 02 Of 2017 Under Foreign Exchange Act, No. 12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON ELECTRONIC FUND TRANSFER CARDS (EFTCs)**

In terms of Sections 9 (1) and 9 (2) of the Foreign Exchange Act, No. 12 of 2017 (the Act) read with Sections 6 and 7 of the Act, Authorized Dealers are permitted to issue EFTCs to persons in Sri Lanka for making payments in foreign exchange to persons resident outside Sri Lanka, subject to the following.



2. Authorized Dealers shall ensure that EFTCs issued to a person in Sri Lanka (i.e., card holder) shall be used for the following.
  - (a) Any payment to a person resident outside Sri Lanka for a current transaction of personal nature other than for the use of payment for import of goods to Sri Lanka for commercial purpose.
  - (b) Any payment to a person resident outside Sri Lanka for any purpose, where an EFTC is issued against a Business Foreign Currency Account (BFCA) or a Personal Foreign Currency Account (PFCA).
  - (c) Any payment to a person resident outside Sri Lanka for any purpose, where a debit card is issued against a Diplomatic Foreign Currency Account (DFA) or an Inward Investment Account (IIA).
3. Authorized Dealers shall issue debit cards against monies lying to the credit of accounts of the cardholders.
4. Authorized Dealers shall issue EFTCs subject to the condition that, if the cardholder migrates or leaves Sri Lanka for employment abroad, the card issued to such person in Sri Lanka shall be surrendered to the card issuing bank, except in the event that an EFTC is issued only against the funds lying to the credit of a PFCA or a BFCA and on the basis that outstanding amounts are settled from inward remittances or transfers from foreign currency accounts.
5. Authorized Dealers shall make aware cardholders to keep evidence in respect of withdrawal of foreign currencies using a debit card or obtaining cash advance through a credit card, that such currencies have been utilized for the transactions permitted under Paragraph 2 (a) of these Directions.
6. Authorized Dealers may issue corporate cards (credit cards or debit cards) to the corporate clients of the bank, in the names of designated employees or directors of such corporate entities/institutions, as per an approved internal procedure for making any payment in foreign exchange related to current transactions, other than for the use of payment for import of goods to Sri Lanka for commercial purpose.
7. Authorized Dealers may issue EFTCs that involve a credit facility (i.e., credit cards) to the following, upon implementing necessary internal controls and mechanisms to mitigate credit risk.
  - (a) To foreign citizens who hold diplomatic passports and diplomatic identity cards issued by the Ministry of Foreign Affairs in Sri Lanka.
  - (b) To persons resident outside Sri Lanka only up to a limit of 90% funds available in the foreign currency accounts in Sri Lanka of such person held as collateral, where settlement of expenditure incurred on such EFTCs shall be through inward remittances from abroad or settled with transfers made from foreign currency accounts.
8. Authorized Dealers shall direct cardholders to seek prior written permission of the Director-Department of Foreign Exchange, for any payment to a resident outside Sri Lanka through an EFTC for any purpose which falls outside the purview of these Directions.
9. **Other Requirements**
  - 9.1 Authorized Dealers shall avail and apprise customers on the existing regulations on EFTCs and obtain a declaration from such applicants as per the Annex I.
  - 9.2. Authorized Dealers shall exercise due diligence and take immediate actions to suspend foreign exchange payments from EFTCs and bring the matter to the attention of Director-Department of Foreign Exchange, if reasonable grounds exist to suspect that any cardholder incurs expenditure in foreign exchange for unauthorized transactions.
  - 9.3. Authorized Dealers shall ensure that only permitted transactions as specified in these Directions are carried out by cardholders using EFTCs.
  - 9.4. Authorized Dealers shall identify each cardholder's transactions in foreign exchange and in Sri Lanka Rupees, separately.
  - 9.5. The EFTCs already issued under the provisions of the repealed Exchange Control Act, No. 24 of 1953 shall be subject to the terms set out in these Directions.

## 10. Monthly Reporting

- 10.1 Authorized Dealers shall submit details of all transactions in respect of cardholders who have incurred expenditure in foreign exchange, inclusive of cash drawings in foreign currency subject to the following threshold limits, to the Director-Department of Foreign Exchange only electronically through the Foreign Exchange Transactions Monitoring System – FOREX Net (<https://www.cbsl.lk/forexnet>) on monthly basis.

- (a) Single transactions exceeding USD 5,000 or its equivalent in any other foreign currency.

- (b) Multiple transactions during a calendar month with the cumulative usage exceeding USD 10,000 or its equivalent in any other foreign currency.

**11. For purposes of these Directions**

- (i). **“Electronic Fund Transfer Card (EFTC)”** shall mean, a card or a device that enables the user to transfer value in credit, debit or any other form and includes credit cards, debit cards and stored value cards where transaction details could be identified by the Authorized Dealers for the purposes of being compliant with the provisions of the Foreign Exchange Act;
- (ii). **“Debit Card”** shall mean, a payment card that may be used to withdraw cash and/or execute payments for purchase of goods and services, by directly debiting from the credit balance of the cardholder’s account;
- (iii). **“Credit Card”** shall mean, a payment card which involves a line of credit granted by the issuer to the card holder, where the credit utilized can be settled in full or in part on or before a specified date. The issuer may charge interest or other charges on any amount not settled on the specified date;
- (iv). **“Personal”** shall mean, for the use of the holder of the card, spouse, children and parents and does not include use for any commercial purpose.

**Director-Department of Foreign Exchange**

**Annex I to the Directions No. 02 of 2017**

*(To be included in the Electronic Fund Transfer Card (EFTC) application or EFTC agreement that the cardholder/s enter/s into with the bank)*

**CENTRAL BANK OF SRI LANKA  
Declaration by the Applicant/s for Electronic Fund Transfer Cards**

**To: Director-Department of Foreign Exchange**

*(To be filled by the Applicant/s to obtain foreign exchange against Credit/Debit or any other Electronic Fund Transfer Card)*

I/We.....(Basic Cardholder/ Supplementary Cardholder), ..... (Basic Cardholder/ Supplementary Cardholder) declare that all details given above by me/us on this form are true and correct.

I/We hereby confirm that I/We am/are aware of the conditions imposed under the provision of the **Foreign Exchange Act, No. 12 of 2017** (the Act) on Electronic Fund Transfer Cards (EFTCs) subject to which the card may be used for transactions in foreign exchange and I/We hereby undertake to abide by the said conditions.

I/We further agree to provide any information on transactions carried out by me/us in foreign exchange on the card issued to me/us as.....bank may require for the purpose of the Act.

I/We am/are aware that the Authorized Dealer (bank) is required to suspend availability of foreign exchange on EFTC if reasonable grounds exist to suspect that unauthorized foreign exchange transactions are being carried out on the EFTC issued to me/us and to report the matter to the Director-Department of Foreign Exchange.

I/We also affirm that I/We undertake to surrender the Credit Card/s to.....bank, if I/We migrate or leave Sri Lanka for employment abroad, as applicable.

.....  
DD.MM.YY

.....  
Signature of the Basic Cardholder

.....  
Signature of the Supplementary Cardholder

I, as the Authorized Officer have carefully examined the information together with relevant documents given by the applicant/s and satisfied with the bona-fide of these information and documents. I undertake to exercise due diligence on the transactions carried out by the cardholder on his/her EFTC in foreign exchange and to suspend the availability of foreign exchange on the EFTC if reasonable grounds exist to suspect that unauthorized foreign exchange transactions are being carried out on the EFTC in violation of the undertaking and to bring the matter to the notice of the Director-Department of Foreign Exchange.

.....  
DD.MM.YY

.....  
Signature of the Authorized Officer

**Directions No. 03 of 2017 Under Foreign Exchange Act, No. 12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON PERSONAL FOREIGN CURRENCY ACCOUNTS (PFCAs)**

In terms of the Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 03 of 2017 (the regulations) and Sections 9 (1) and 9 (2) of the Foreign Exchange Act, No.12 of 2017, Authorized Dealers are permitted to open and maintain PFCAs subject to the following.

**1.1 Eligible Persons**

Eligible persons shall be as per the regulations.

**1.2 Opening and Maintaining the Accounts**

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following shall be considered when opening and maintaining PFCAs, in addition to those specified in the regulations.

- (a) Non-nationals either on temporary visit to Sri Lanka or intending to visit Sri Lanka are not eligible to open and maintain these accounts as joint accounts.
- (b) In the event PFCAs is to be opened in the name of a minor who is a Sri Lankan national or of Sri Lankan origin and residing outside Sri Lanka, such accounts shall be opened by crediting remittances in foreign exchange received from their parents or guardians who are residents outside Sri Lanka or transferring funds from existing PFCAs of parents or guardians.
- (c) The following information and documents shall be obtained prior to opening a PFCA, as applicable.

	<b>Eligible Persons</b>	<b>Information /Documents</b>
i.	An individual of Sri Lankan origin including a minor who is a resident outside Sri Lanka	<ul style="list-style-type: none"> <li>• Full name, nationality and foreign address</li> <li>• Passport number, date of issue and validity period</li> <li>• Date of departure from Sri Lanka</li> <li>• Citizenship or nature of visa granted by a foreign Government</li> </ul>
ii.	A non-national resident in Sri Lanka	<ul style="list-style-type: none"> <li>• Full name, nationality and foreign address</li> <li>• Address of workplace in Sri Lanka and designation, if any</li> <li>• Copy of the employment contract and salary particulars</li> <li>• Copies of passport and visa granted by the Department of Immigration and Emigration</li> </ul>
iii.	A non-national either on temporary visit to Sri Lanka or intending to visit Sri Lanka	<ul style="list-style-type: none"> <li>• Full name, nationality and foreign address</li> <li>• Copies of passport and visa pages</li> </ul>

**1.3 Permitted Credits**

Permitted credits shall be in terms of the regulations.

**1.4 Permitted Debits**

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following debit is permitted to PFCAs, in addition to the debits specified in the regulations.

- (a) Transfer of funds to a Foreign Currency Loan Account (FCLA) or an LKR Loan Account (LLA) of the account holder.

**2. Monthly Returns**

- (a) Authorized Dealers shall submit a report as per the Annex I on a monthly basis to this department on or before the 15th day of the following month by email to [dfem@cbsl.lk](mailto:dfem@cbsl.lk).
- (b) Authorized Dealers are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirement.

**Director-Department of Foreign Exchange**

## Annex I to the Directions No. 03 of 2017

## Monthly Statement of Personal Foreign Currency Accounts (PFCAs)

Name of the Bank: .....

Reporting Month &amp; Year: .....

Type of Currency	Type of Residential status of A/c Holders	Opening Balance		Credits					Debits				Closing Balance	
		No. of Accounts	Amount	Inward remittances from abroad	Transfers from other Accounts	Total Interest Credited	Other Credits	Total	Outward remittances made outside Sri Lanka	Transfers to Other Accounts	Other Debits	Total	No. of Accounts	Amount
USD	R													
	NR													
	Total													
GBP	R													
	NR													
	Total													
EUR	R													
	NR													
	Total													
Other * Designated Foreign Currency	R													
	NR													
	Total													

\* You may extend the rows needed for other designated foreign currencies.

**Authorized Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above.**

We certify that above information extracted/ generated from the books of accounts of the bank as accurate

Name of the Authorized Officer: .....

Name of the Compliance Officer: .....

Signature: .....

Signature: .....

Date: .....

Date: .....

R - Resident

NR - Non Resident

Directions No. 04 of 2017 Under Foreign Exchange Act, No. 12 of 2017

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON BUSINESS  
FOREIGN CURRENCY ACCOUNTS (BFCAs)**

In terms of the Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 03 of 2017 (the regulations) and Sections 9 (1) and 9 (2) of the Foreign Exchange Act, No. 12 of 2017 (the Act), Authorized Dealers are permitted to open and maintain BFCAs subject to the following.

**1.1 Eligible Persons**

Eligible persons shall be as per the regulations.

**1.2 Opening and Maintaining the Accounts**

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following shall be considered when opening and maintaining BFCAs, in addition to those specified in the regulations.

(a) A BFCA shall not be overdrawn under any circumstance.

(b) Authorized Dealers shall not credit BFCA with charges and deposits that are collected as local fees or charges which are not components of freight, where the account holder is a shipping agent or general sales agent eligible under the Paragraph 1.1 above.

- (c) Authorized Dealers shall ensure that under no circumstance, proceeds of foreign currency loans (including debt securities) transferred from Inward Investment Account (IIA) of the foreign lender and proceeds of loans in foreign currency obtained by the account holder from the Domestic Banking Unit, be utilized for capital transactions outside Sri Lanka.

### 1.3 Permitted Credits

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following credits are permitted to BFCAs, in addition to the credits specified in the regulations.

- (a) Foreign currency drafts issued by banks in Sri Lanka on behalf of the holders of BFCAs in respect of sale of goods and providing services by the account holder.
- (b) Proceeds of foreign currency loans (including debt securities) transferred from IIA of the foreign lender, where such loans have been obtained in terms of an approval granted under the provisions of the Act (excluding loans obtained for the purposes of capital transactions outside Sri Lanka).
- (c) Payments received in respect of goods sold and services rendered by the account holder to a person resident outside Sri Lanka where payments for such goods and services have been made through an Electronic Data Capture Terminal or Internet Payment Gateway (EDC/IPG), by using an Electronic Fund Transfer Card (EFTC) issued outside Sri Lanka, provided however that the Authorized Dealer shall credit such payment into a BFCA only upon written confirmation by the EDC/IPG provider stating that it contains payments made using an EFTC issued outside Sri Lanka.
- (d) Remittances received in foreign exchange from abroad through the banking system in respect of lease or rent of immovable property in Sri Lanka to a person resident outside Sri Lanka by the account holder.
- (e) Transfers from a Foreign Currency Loan Account (FCLA) for the purpose of acquisition/construction/development and renovation of a residential property in Sri Lanka of the account holder.

### 1.4 Permitted Debits

Permitted debits shall be in terms of the regulations.

### 1.5 Monthly Returns

- (a) Authorized Dealers shall submit a report as per the Annex I on a monthly basis to this department on or before the 15th day of the following month by email to [dfem@cbsl.lk](mailto:dfem@cbsl.lk)
- (b) Authorized Dealers are required to implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirement.

### 1.6 For the purpose of these Directions

- (a) **“Foreign shipping line”** shall mean any shipping line within the meaning of the Licensing of Shipping Agency Act, No. 10 of 1972 (as amended) which is a resident outside Sri Lanka;
- (b) **“Foreign airline”** shall mean any “foreign air operator” within the meaning of the Civil Aviation Act, No. 14 of 2010 (as amended) which is a resident outside Sri Lanka.

**Director-Department of Foreign Exchange**

**Annex I to the Directions No. 04 of 2017**

#### Monthly Statement of Business Foreign Currency Accounts (BFCAs)

Name of the Bank: .....

Reporting Month & Year: .....

Category of the Account	Currency	Balances as at beginning of the month	Credits					Debits					Balance as at end of the month	Total Number of A/Cs as at end of the month
			Inward Remittances	Transfers From Other Accounts	Other	Total Interest Credited	Total	Outward Remittances	Transfers To Other foreign currency Accounts	Local Disbursement	Other Debits	Total		
Exporters														
Professional Services Providers														
Travel Agents/ Tourism														
Hotels & Restaurants														
Gem & Jewellery Dealers														
Insurers														
Foreign Employment Agencies														
Remittances for Disbursement to Sri Lankans who render services to overseas employers														
Logistics, Freight Forwarding & Related Services etc														
Shipping agency														
General sales agency (airline)														
Foreign currency loans from DBU														
Foreign currency loans from OBU transferred to BFCA														
Foreign currency loans transferred from IIA of foreign lender (other than for investment purpose)														
Investment in/ outside Sri Lanka														
Overseas Projects														
Other service providers (Specify)														
Remittances received under Section 8 (3) from abroad														
Other (Specify the category)														
<b>Total</b>														

**Note: Please provide information on different types of designated currencies in all accounts (EUR, USD, GBP, Other (pls specify))**

Authorized Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

I have examined the relevant documents and confirm that the above mentioned information is true and correct.

Name of Authorized Officer: .....

Name of Compliance Officer: .....

Signature: .....

Signature: .....

Date: .....

Date: .....

**Directions No.05 of 2017 Under Foreign Exchange Act, No. 12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON DIPLOMATIC FOREIGN CURRENCY ACCOUNTS (DFAs) AND DIPLOMATIC RUPEE ACCOUNTS (DRAs)**

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 02 of 2017 (the regulations) and Sections 9 (1) and 9 (2) of the Foreign Exchange Act, No.12 of 2017, Authorized Dealers are permitted to open and maintain DFAs and DRAs subject to the following.

**1.1 Eligible Persons**

Eligible persons shall be as per the regulations.

**1.2 Opening and maintaining the Accounts**

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following shall be considered when opening and maintaining DFAs and DRAs, in addition to those specified in the regulations.

- (a) DRAs can be opened and maintained as current, savings or term deposit accounts.
- (b) Permitted debits and credits to DRAs may be effected through cheques. However, DRAs shall not be overdrawn under any circumstance.
- (c) Authorized Dealers shall obtain documents as per the Annex I when crediting sale proceeds of Motor Vehicles to DRA.

**1.3 Permitted Credits and Debits to DFAs**

Permitted credits and debits shall be in terms of the regulations.

**1.4 Permitted Credits to DRAs**

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following credit is permitted to DRAs in addition to the credits specified in the regulations.

- (a) Remittances in Sri Lanka Rupees received from outside Sri Lanka in favor of the account holder through the banking system.

**1.5 Permitted Debits to DRAs**

Permitted debits shall be in terms of the regulations.

**2. For purposes of these Directions**

- (a) **“Diplomatic Mission”** shall refer to an embassy, high commission, consulate, permanent mission of United Nations or EU delegation of the European Commission;
- (b) **“Diplomatic personnel”** shall refer to citizens of a foreign country represented by the diplomatic mission.

**Director-Department of Foreign Exchange**

**Annex I to the Directions No.05 of 2017**

**Documents to be obtained when crediting sale proceeds of Motor Vehicles to DRA**

- i. Certificate of Registration of the Motor Vehicle in the name of the seller.
- ii. Statement of change of possession of Motor Vehicle- Documentary evidence to prove the ownership of the Motor Vehicle was transferred to the buyer.
- iii. A letter from the buyer confirming the price of the vehicle.
- iv. A duty valuation from the Department of Public Finance.
- v. A Letter from the relevant line Ministry authorizing the transfer of the vehicle.
- vi. Calculation of custom duties and other charges by the Customs Department.
- vii. Customs Department - Goods declaration form.
- viii. Customs Department Assessment Notice.

**Directions No. 06 of 2017 Under Foreign Exchange Act, No 12 of 2017****DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON RESIDENT GUEST SCHEME - SPECIAL ACCOUNTS**

In terms of the Sections 9 (1) and 9 (2) of the Foreign Exchange Act, No. 12 of 2017 (the Act) read with Sections 6 and 7 of the Act, Authorized Dealers are permitted to open and maintain following accounts in the names of prospective investors and professionals who come to Sri Lanka under "Resident Guest Scheme implemented by the Department of Immigration and Emigration, subject to the following.

2. An investor is required to remit or bring a sum of United States Dollars (USD) 250,000 or its equivalent in another designated foreign currency for investment in Sri Lanka and a further sum of USD 35,000 per person for the upkeep in Sri Lanka of the investor and dependents accompanied by him.
3. A professional is required to remit or bring into Sri Lanka a sum of USD 2,000 per month and a further sum of USD 1,000 per month for each dependent accompanied by him, for living expenses in Sri Lanka.

**4. Types of Accounts**

Authorized Dealers shall open and maintain following special accounts, under the above scheme, in their Domestic Banking Units.

**4.1 Resident Guest Foreign Currency Accounts (RGFCAs)****4.1.1 Permitted Credits**

- (a) Inward remittances received through the banking system or foreign exchange brought into Sri Lanka on declaration to Customs Department or to the Authorized Dealer, as applicable, for the purpose of depositing the initial sum of USD 250,000 or its equivalent in other foreign currencies.
- (b) Interest on the unutilized funds held in the account initially for a period of two years. (No interest shall be paid after the expiry of the initial two years period without having prior approval of the Director-Department of Foreign Exchange to that effect).

**4.1.2 Permitted Debits**

- (a) Withdrawal of funds for investment in the following "approved projects" subject to production of documentary proof of obtaining relevant approvals.
  - i. New ventures approved by the Board of Investment in Sri Lanka or a relevant authority
  - ii. Existing or new companies engaged in projects approved by a relevant authority
  - iii. Shares listed in the Colombo Stock Exchange
- (b) Transfer of funds in excess of USD 250,000 or its equivalent in other designated foreign currencies brought into the country and held in the account unutilized.
- (c) Transfer of interest earned on the unutilized funds held in the account, to the RGRCA of the investor.
- (d) Any other withdrawal or transfer of funds approved by the Central Bank of Sri Lanka with the concurrence of the Implementing Agency of the scheme.

**4.2 Resident Guest Rupee Current Accounts - Investors (RGRCA - Investors)****4.2.1 Permitted Credits**

- (a) Sri Lanka Rupee proceeds of inward remittances received through the banking system or foreign exchange brought into Sri Lanka on declaration to Customs Department or to the Authorized Dealer, as applicable, for the purpose of depositing the initial sum of USD 35,000 per person or its equivalent in other foreign currencies.
- (b) Sri Lanka Rupee proceeds of inward remittances or foreign currency brought into the country by the investor for his living expenses and of his dependents.
- (c) Interest paid on the funds in the RGFCAs of the investor, converted into Sri Lanka Rupees.
- (d) Income from investments (dividends, profits), sale proceeds of shares acquired utilizing funds in the RGFCAs.

**4.2.2 Permitted Debits**

- (a) Local disbursements of the investor and his dependents.



- (b) Investment in approved projects mentioned in Paragraph 4.1.2 (a) above.
- (c) Outward remittances for payments in respect of current transactions of the investor or his dependents resident in Sri Lanka.
- (d) Any other withdrawal or transfer of funds permitted by the Central Bank of Sri Lanka with the concurrence of the Implementing Agency of the scheme.

#### 4.3 Resident Guest Rupee Current Accounts – Professionals (RGRCA- Professionals)

##### 4.3.1 Permitted Credits

- (a) Sri Lanka Rupee proceeds of inward remittances received through the banking system or foreign currency brought into Sri Lanka on declaration to Customs Department or to the Authorized Dealer, as applicable, for the purpose of depositing the initial sum of USD 2,000 or its equivalent in other foreign currencies.
- (b) Sri Lanka Rupee proceeds of inward remittances or foreign currency brought into Sri Lanka, for living expenses of the account holder and his dependents.
- (c) Salary, consultancy fees, etc. received for the provision of professional services in Sri Lanka by the account holder.

##### 4.3.2 Permitted Debits

- (a) Local disbursements of the account holder and his dependents.
- (b) Outward remittances for payments related to current transactions of the account holder or his dependents resident in Sri Lanka.
- (c) Any other withdrawal or transfer of funds permitted by the Central Bank of Sri Lanka with the concurrence of the Implementing Agency of the scheme.

## 5. Reporting requirements

Authorized Dealers shall submit quarterly statements as per the Annex I and Annex II for the Resident Guest Foreign Currency Accounts (RGFCAs) and Resident Guest Rupee Current Accounts - Investors (RGRCA - Investors) not later than the 15th day of the following quarter and monthly statements as per the Annex III for the Resident Guest Rupee Current Accounts - Professionals (RGRCA - Professionals) not later than the 15th day of the following month by email to [dfem@cbsl.lk](mailto:dfem@cbsl.lk).

**Director-Department of Foreign Exchange**

Annex I to the Directions No. 06 of 2017

#### Quarterly Statement of Resident Guest Foreign Currency Account (RGFCA)

Name of the Bank: .....

Reporting Quarter & Year: .....

Name of the Account Holder	Currency	Opening Balance	Credits			Debits				Closing Balance
			Initial Deposit	Inward Remittances fx brought in to the country	Interest Credited	Withdrawals for Investment	Transfer of Unutilized/ Excess Fund	Transferred to RGRCA	Any Other Withdrawals Approved by CBSL	

We certify that the above information extracted/ generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer: .....

Name of the Compliance Officer: .....

Signature: .....

Signature: .....

Date: .....

Date: .....

Annex II to the Directions No. 06 of 2017

#### Quarterly Statement of Resident Guest Rupee Current Account - Investors (RGRCA)

Name of the Bank: .....

Reporting Quarter & Year: .....

Name of the Account Holder	Opening Balance	Credits			Debits				Closing Balance
		Inward Remittances/ foreign currency brought in to the country	Transfers from RGFCFA	Income Earned from Investments	Local Disbursements	Withdrawals for Investments	Payments for Current Transactions	Any Other Withdrawals Approved by CBSL	

We certify that the above information extracted/ generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer: .....

Name of the Compliance Officer: .....

Signature: .....

Signature: .....

Date: .....

Date: .....

#### Annex III to the Directions No. 06 of 2017

#### Monthly Statement of Professionals' Resident Guest Rupee Current Accounts (PRGRCA)

Name of the Bank: .....

Reporting Month & Year: .....

In LKR

Name of the Account Holder	Opening Balance	Credits		Debits			Closing Balance
		Inward Remittances/ foreign currency brought in to the country	Earning in Sri Lanka	Local Disbursements	Payments for Current Transactions	Any Other Withdrawals Approved by CBSL	

We certify that the above information extracted/ generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer: .....

Name of the Compliance Officer: .....

Signature: .....

Signature: .....

Date: .....

Date: .....

#### Directions No.07 of 2017 Under Foreign Exchange Act, No. 12 of 2017

20 November 2017

### DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON SENIOR FOREIGN NATIONALS' - SPECIAL ACCOUNTS

In terms of Section 9 (1) of the Foreign Exchange Act, No. 12 of 2017 (the Act) read with Section 6 of the Act, Authorized Dealers are hereby granted permission to open and maintain following accounts in favour of senior foreign nationals who wish to obtain resident visas in Sri Lanka under "Sri Lanka – My Dream Home programme" implemented by the Department of Immigration and Emigration subject to the following.

- Senior foreign nationals over 55 years of age who apply for visa under the above scheme are required to remit into Sri Lanka, a minimum of United States Dollars (USD) 15,000 or its equivalent in other convertible foreign currency and deposit the same in a fixed deposit foreign currency account as long as they stay in Sri Lanka. Additionally, a monthly remittance of USD 1,500 or its equivalent for the principal applicant and USD 750 or its equivalent for each dependent or spouse accompanied, shall be deposited in a Sri Lanka Rupee Account for their upkeep.

#### 3. Types of accounts

Authorized Dealers are permitted to open and maintain Senior Foreign Nationals' Fixed Deposit Account (SFNFDA) and Senior Foreign Nationals' Rupee Account (SFNRA) in the Domestic Banking Unit for the above purposes.

##### 3.1 Senior Foreign Nationals' Fixed Deposit Accounts (SFNFDA)

**3.1.1 Permitted Credits**

- (a) These accounts shall be opened for the purpose of depositing the minimum initial sum of USD 15,000 or its equivalent in any convertible foreign currency brought into the country through banking channels.

**3.1.2 Permitted Debits**

- (a) Withdrawals from SFNFDA shall only be permitted at the time that the account holder decides to terminate his stay in Sri Lanka, upon obtaining documentary evidence to ensure such departure. Funds may be released as follows:
- i. Remittance of funds to an account maintained outside Sri Lanka
  - ii. Transfer of funds to the SFNRA of the account holder
  - iii. Withdrawals in foreign currency notes up to USD 10,000
- (b) Interest paid on SFNFDA should be transferred to the SFNRA of the account holder.

**3.2 Senior Foreign Nationals' Rupee Accounts (SFNRA)**

These accounts may be opened in the form of savings or current accounts with a minimum deposit of USD 1,500 or its equivalent in any convertible foreign currency brought into the country upon necessary declaration to Sri Lanka Customs Department or to the Authorized Dealer, and converted into Sri Lanka Rupees.

**3.2.1 Permitted Credits**

- (a) Inward remittances or foreign currency brought into the country by the account holder upon declaration to Sri Lanka Customs Department or to the Authorized Dealer, for his upkeep (USD 1,500/- per month) and for the upkeep of spouse/ other dependents (USD 750/- for each dependent per month)
- (b) Interest earned on the funds held in the SFNFDA of the account holder.

**3.2.2 Permitted Debits**

- (a) Local expenses of the investor and his dependents.
- (b) Outward remittances for payments related to current transactions of the account holder and/or his dependents residing in Sri Lanka.

**4. Reporting requirements**

Authorized Dealers are required to furnish monthly reports as per the Annex I and Annex II to this department on or before the 15th day of the following month by email to dfem@cbsl.lk.

**Director-Department of Foreign Exchange**

**Annex I to the Directions No. 07 of 2017**

**MONTHLY STATEMENT OF SENIOR FOREIGN NATIONALS' FIXED DEPOSIT ACCOUNT (SFNFDA)**

Name of the Bank: .....

Reporting Month & Year: .....

Name of the Account Holder	Currency	Initial Deposit	Outward Remittances/ Withdrawals at the Time of Departure	Interest Transferred to SFNRA	Closing Balance

We certify that the above information extracted/ generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer: .....

Name of the Compliance Officer: .....

Signature: .....

Signature: .....

Date: .....

Date: .....

## Annex II to the Directions No. 07 of 2017

## MONTHLY STATEMENT OF SENIOR FOREIGN NATIONALS' RUPEE ACCOUNT (SFNRA)

Name of the Bank: .....

Reporting Month &amp; Year: .....

In LKR

Name of the Account Holder	Opening Balance	Credits		Debits		Closing Balance
		Inward Remittances/ Deposits	Interest received on SFNFDA	Payments for Current Transaction	Local Disbursements	

We certify that the above information extracted/ generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer: .....

Name of the Compliance Officer: .....

Signature: .....

Signature: .....

Date: .....

Date: .....

## Directions No. 08 of 2017 Under Foreign Exchange Act, No. 12 of 2017

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON CAPITAL TRANSACTIONS  
RUPEE ACCOUNTS (CTRAs)**

In terms of the Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts for the purpose of engaging in Capital Transactions) Regulations No. 02 of 2017 (the regulations) and Sections 9 (1) and 9 (2) of the Foreign Exchange Act, No.12 of 2017 (the Act), read with Sections 6 and 7 of the Act, Authorized Dealers are permitted to open and maintain CTRAs subject to the following.

**1.1 Eligible Persons**

Eligible persons shall be following in terms of the regulations;

- i. An individual Sri Lankan, permanently residing outside Sri Lanka
- ii. A Sri Lankan dual-citizen
- iii. A foreign national of Sri Lankan origin
- iv. A Non National resident outside Sri Lanka
- v. A Sri Lankan National resident outside Sri Lanka
- vi. Firms and Companies registered outside Sri Lanka

**1.2 Opening and Maintaining the Accounts**

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following shall be considered when opening and maintaining CTRAs, in addition to those specified in the regulations.

- (a) CTRAs can be opened and maintained in the form of current (without cheque drawing facility), savings or term deposit accounts in Sri Lanka Rupees in the Domestic Banking Unit.
- (b) An individual, who is an eligible person referred to in item (i-iv) of Paragraph 1.1 above, shall open and maintain only one CTRA for the purpose of outward remittances.
- (c) CTRAs may be held jointly with another eligible person.
- (d) A minor, who is an eligible person referred to in item (i-iv) of Paragraph 1.1 above, may open CTRAs.

**1.3 Permitted Credits**

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following credits are permitted in addition to the credits specified in the regulations.

- (a) Local credits other than funds derived from capital transactions.

- (b) Where the account holder is an eligible person referred to in item (i-iii) of Paragraph 1.1 above, superannuation benefits, interest, dividends, pensions, rent, lease rentals and profits or any other approved pension or retirement funds etc.
- (c) Where the account holder is an eligible person referred to in item (iv) of Paragraph 1.1 above, sale proceeds of local assets including inherited movable or immovable property.
- (d) Where the account holder is an eligible person referred to in item (v) of Paragraph 1.1 above, proceeds of foreign currency or Sri Lanka Rupee loans and advances obtained by the account holder in terms of the provisions of the Act for the purpose of local disbursements.

#### 1.4 Permitted Debits

In terms of the authority granted to the Central Bank of Sri Lanka by the regulations, the following debits are permitted in addition to the debits specified in the regulations.

- (a) Any outward remittance in respect of current transactions.
- (b) Transfer of eligible migration allowance to an account maintained outside Sri Lanka by the eligible persons referred to in items (i-iii) of Paragraph 1.1 above.
- (c) Where the account holder is an eligible person referred to in item (vi) of Paragraph 1.1 above, transfer of accumulated funds derived in Sri Lanka with respect to an underlying current transaction upon verification of agreements, invoices, statements etc. and satisfying bona-fide of such request by the Authorized Dealer.

#### 1.5 Procedure for Opening a CTRA for Capital Fund Transfers

##### 1.5.1 Procedure for opening a CTRA for the purpose of transferring migration allowance

- (a) Authorized Dealers shall obtain approval of the Director-Department of Foreign Exchange when opening a CTRA for an eligible person referred to in item (i-iii) of Paragraph 1.1 above, upon submission of following scanned documents through [dfe@cbsl.lk](mailto:dfe@cbsl.lk):
  - i. A completed form of Annex I
  - ii. A copy of the current passport
  - iii. A copy of the Sri Lankan passport including endorsements of initial departure, landing and identification page (as applicable)
  - iv. A copy of the Permanent Residency (PR) endorsement or other document to prove PR date and country (as applicable)
- (b) Authorized Dealers shall open a CTRA upon receipt of a registration number issued by the Director-Department of Foreign Exchange and release foreign exchange to the eligible persons, being the initial and subsequent capital fund transfers, as applicable through the same CTRA subject to the following:
  - i. An initial migration allowance up to United States Dollars (USD) 200,000 and annual migration allowance of USD 30,000 per individual, provided that such individual holds a valid Sri Lankan passport at the time of obtaining the PR of another country.
  - ii. The first such annual migration allowance of USD 30,000 is transferable after lapse of 12 months from the full utilization of the initial migration allowance of USD 200,000.
  - iii. With the exception of the initial migration allowance, subsequent migration allowances shall be transferable per calendar year.
  - iv. In the event an emigrant has not transferred the annual migration allowance of a previous year, it can be transferred in accumulation.
  - v. At the time of leaving Sri Lanka for the first time on PR the eligible person may obtain USD 10,000 out of the eligible migration allowance in the form of currency notes.
  - vi. Authorized Dealers shall duly endorse the Sri Lankan passport on which the original PR is stamped, of an eligible person referred to in items (i-iii) of Paragraph 1.1 above, providing date, amount of foreign exchange, CTRA registration number, country of migration upon sale of foreign exchange.

### 1.5.2 Procedure for opening a CTRA for the purpose of transferring capital funds

- (a) Authorized Dealers shall obtain approval of the Director-Department of Foreign Exchange when opening a CTRA for an eligible person referred to in item (iv) of Paragraph 1.1 above, upon submission of following scanned documents through dfe@cbsl.lk:
- i. A completed form of Annex 1
  - ii. A copy of the current passport
- (b) Authorized Dealers shall open a CTRA upon receipt of a registration number issued by the Director-Department of Foreign Exchange and may release foreign exchange up to USD 30,000 per annum out of sale proceeds derived from inherited assets in Sri Lanka.

## 2. Other Requirements

- (a) The account number assigned to the CTRA in respect of eligible persons referred to in items (i-iv) of Paragraph 1.1 above, shall be informed to this department immediately after it is assigned.
- (b) CTRAs opened in respect of eligible persons referred to in items (i-iv) of Paragraph 1.1 above, shall not be closed without obtaining the prior approval of the Director-Department of Foreign Exchange.
- (c) As soon as Authorized Dealer becomes aware or has reasons to believe that the holder or joint holder of any Sri Lanka Rupee account, is a Sri Lankan National resident outside Sri Lanka, such account shall be re-designated as a "Capital Transactions Rupee Account" and informed to the account holder appropriately.
- (d) Authorized Dealer shall have a mechanism in place to identify the individual from the registration number issued by this department as well as the CTRA number.
- (e) Documentary evidence regarding each transfer shall be obtained from the person and such records shall be maintained (either in hard copy or electronic/digital form) by the Authorized Dealer. The period of maintaining records pertaining to transfers under these directions shall not be limited by statutory record keeping requirement. Authorized Dealer shall refer to Annex 2 or Annex 3 (where applicable), on documents to be obtained in opening a CTRA for eligible persons referred to in items (i-iv) of Paragraph 1.1 above.

## 3. Monthly Returns

The Authorized Dealers shall furnish monthly statements on sale of foreign exchange to emigrants under these Directions to the Director-Department of Foreign Exchange as per the Annex 4 on or before 15th day of following month by email to dfem@cbsl.lk.

## 4. For the purposes of these Directions

- (a) **"Migration allowance"** shall include receipts of the proceeds of movable and immovable property and tangible and intangible assets owned by the emigrant and gifts received by the emigrant from the spouse and parents. Assets may include the value of precious stones, precious metals, personal jewellery and other assets held in Sri Lanka including estates inherited as beneficiaries.
- (b) **"Emigrant"** shall refer to a person who leaves their own country in order to settle permanently in another.
- (c) **"Sri Lankan"** shall refer to a citizen of Sri Lanka.
- (d) **"A Sri Lankan National resident outside Sri Lanka"** shall refer to a citizen of Sri Lanka who has proceeded outside Sri Lanka to take up employment or to set up in business or to engage in a profession.

**Director-Department of Foreign Exchange**

## Annex 1 to the Directions No. 08 of 2017

## FOREIGN EXCHANGE RELEASE REQUEST

## Request to a Open Capital Transactions Rupee Account (CTRA)

## 1). Details of CTRA Holder

- a). Full Name\* : .....
- b). NIC No : .....
- c). Current Passport\* : .....
- d). Sri Lankan Passport No. (if any) : .....
- e). Date of Birth : .....
- f). Date of Obtaining PR : .....
- g). Country of PR/Citizenship\* : .....
- h). Foreign Exchange Amount to be Released\* : .....

## 2). Details of the Authorized Dealer \*

- a). Name : .....
- b). Branch : .....
- c). Branch Address : .....
- d). Email : .....
- e). Name of the Requesting Officer : .....
- f). Designation : .....
- g). Contact No : .....
- h). Date : .....

Note: 1. \*Authorized Dealers shall be submit the relevant information for eligible persons referred to in item (iv) of Paragraph 2.1 above.  
2. Authorized Dealers are requested to submit accurate and complete information as required above.

## Annex 2 to the Directions No. 08 of 2017

**Documents to be obtained in releasing the migration allowance in respect of items (i-iii)  
of paragraph 2.1 eligible persons**

In issuing the migration allowance, the following information/documentation shall be obtained by the Authorized Dealer:

- i. A formal request from emigrant (Authorized Dealers are advised to maintain a format).
- ii. Documents to prove the PR, Citizenship (if any) and Dual Citizenship (if any).
- iii. Valid documents to prove the sources of funds (Gifts from applicant's parents or spouse can be accepted as sources of funds provided that the applicant submits the consent letter signed by the grantor along with the certified copies of birth certificate or marriage certificate, as applicable).
- iv. A tax clearance certificate from the Commissioner General of Inland Revenue Department of Sri Lanka for the amount to be remitted.
- v. An affidavit duly stamped and attested by a Justice of Peace/ Commissioner of Oaths/ solicitor, declaring that no transfers has been made or will be made in excess of the initial allowance of USD 200,000 and the annual allowance of USD 30,000 as applicable. If any migration allowance has been availed prior to the date of declaration, it should be declared.
- vi. Copies of all pages of the emigrant's Sri Lankan passports which were used at the time of obtaining PR and subsequently held to date.
- vii. A copy of air ticket.
- viii. A copy of emigrant's power of attorney (where applicable).
- ix. A duly filled Form 3 (Annex 5).
- x. Other than above, Authorized Dealers may obtain any document in order to adhere to their internal procedures.

**Annex 3 to the Directions No. 08 of 2017**

**Documents to be obtained in releasing the capital funds in respect of persons stated in item (iv) of paragraph 2.1**

In issuing the foreign exchange for the capital funds derived from inherited sale proceeds in Sri Lanka, the following information/documentation shall be obtained by the Authorized Dealer:

- i. A formal request from the applicant (Authorized Dealers are advised to maintain a format).
- ii. A copy of the current passport of the applicant.
- iii. Valid documents to prove the sources of funds.
- iv. A tax clearance certificate from the Commissioner General of Inland Revenue Department of Sri Lanka for the amount to be remitted, if required.
- v. Other than the above Authorized Dealers may obtain any documents to adhere to their internal procedures.

**Annex 4 to the Directions No. 08 of 2017**

**MONTHLY STATEMENT OF CAPITAL TRANSACTIONS RUPEE ACCOUNTS (CTRA)**

Name of the Bank: .....

Reporting Month & Year: .....

Account holder's Details						Account Details			Capital Transfers				
Name in Full	Passport No.	NIC	Date of PR	Country of PR / Nationality	No. of CTRA Accounts	CTRA Reg. No.	Account No.	Currency Type	Date of the Transaction	PFCA	IIA	Foreign Account Outside Sri Lanka	Total Amount

We certify that the above information extracted/ generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer: .....

Signature: .....

Date: .....

Name of the Compliance Officer: .....

Signature: .....

Date: .....

**Annex 5 to the Directions No. 08 of 2017**

AD	Branch	Serial No.										
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**CENTRAL BANK OF SRI LANKA**  
**Information on Release of Foreign Exchange**  
**Form 3- Sales of Foreign Exchange to Emigrants**

To: Authorized Dealer	To: Director-Department of Foreign Exchange
To be filled by the applicant for foreign exchange.  Name in full: ..... (In Block Letters) .....  Present Address: ..... (In Block Letters) .....  Address Abroad: .....  Nationality.: ..... NIC&Passport No.: ..... Proposed Date of Departure: ..... Destination: ..... Purpose of Purchase/Remittance: .....	To be filled by the AD authorized to issue foreign exchange.  Bank Code: .....  Branch Code: .....  Country Code: .....  Purpose Code: .....  Currency Code: .....  Foreign Exchange released:  Electronic Fund Transfer:.....  Drafts: .....



Foreign Exchange Applied for: Electronic Fund Transfer: ..... Drafts: ..... Currency Notes: ..... Other (Specify): .....  I declare that I am leaving/have left Sri Lanka to reside permanently in the country of destination stated above and documents submitted herewith are true and correct to the best of my knowledge and belief. I also declare that I have not made any application to any Authorized Dealer for same purpose.  Date: ..... DD.MM.YY <span style="margin-left: 150px;"><i>Signature of Applicant</i></span>	Currency Notes: .....  Other (specify): .....  Bank Reference No.: .....  I have examined the relevant document and am satisfied with the bona-fide of the request and confirm the sale of foreign exchange for the purpose given by the applicant.  Date: ..... DD.MM.YY <span style="margin-left: 100px;"><i>Signature and seal of Authorized Dealer</i></span>
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**Directions No. 09 of 2017 Under Foreign Exchange Act, No. 12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON LOANS TO BUSINESS FOREIGN CURRENCY ACCOUNTS (BFCAs) HOLDERS**

In terms of Sections 9 (1) and 9 (2) of the Foreign Exchange Act, No. 12 of 2017 (the Act) read with Sections 6 and 7 of the Act, Authorized Dealers are permitted to grant loans in foreign currency from their Domestic Banking Units to persons resident in Sri Lanka who maintain Business Foreign Currency Accounts, subject to the following.

- (2) Loans may be extended to be utilized for any purpose in Sri Lanka, as may be decided by the Authorized Dealers as part of their business decisions in the course of normal banking business.
- (3) Loans under this permission shall be extended only to earners in foreign exchange who have established, to the satisfaction of the Authorized Dealer, that they receive regular cash flows in foreign exchange during its normal course of business to service the loan in full on time.
- (4) Authorized Dealers shall prudently assess the ability of BFCA holders to service the loan out of their existing or expected foreign exchange cash flows and shall maintain records to support their assessment.
- (5) Recoveries of loans in Sri Lanka Rupees shall be carried out only at a stage which is not less than 90 days from the day where the Authorized Dealer has recognized in its financial statements that the loan is fully impaired. Recovery of loans in Sri Lanka Rupees before such date shall require the prior approval of the Director-Department of Foreign Exchange.
- (6) Authorized Dealers shall furnish monthly statements on loans granted under these Directions to the Director-Department of Foreign Exchange as per the Annex I on or before the 15th day of the following month by email to [dfem@cbsl.lk](mailto:dfem@cbsl.lk).
- (7) Terms and conditions and recovery of loans that have been granted to foreign exchange earners under the repealed Exchange Control Act, No.24 of 1953 shall also be effected in terms of these Directions.

**Director-Department of Foreign Exchange**

**Annex I to the Directions No. 09 of 2017**

**MONTHLY STATEMENT OF LOANS TO BUSINESS FOREIGN CURRENCY ACCOUNTS (BFCAS) HOLDERS**

Name of the Bank: .....

Reporting Month & Year: .....

Name of the borrower	Date of granting the Loan	Type of Currency	Tenure	Amount Granted	Purpose of the Loan

We certify that the above information extracted/generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer :..... Name of the Compliance Officer :.....

Signature : .....

Signature : .....

Date : .....

Date : .....

**Directions No.10 of 2017 Under Foreign Exchange Act, No.12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON LOANS AND ADVANCES TO SRI LANKANS  
EMPLOYED ABROAD**

In terms of the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 01 of 2017 (the regulations) and Section 9 (2) of the Foreign Exchange Act, No. 12 of 2017, Authorized Dealers are permitted to grant loans and advances from their Domestic Banking Units to Sri Lankans employed abroad who maintain Personal Foreign Currency Accounts (PFCAs) to be utilized for any purpose in Sri Lanka, subject to the following.

**2. Loans and Advances granted in Foreign Currency**

- 2.1 Loans and advances in foreign currency shall be granted only if the borrower has foreign currency earnings to repay the loans and Authorized Dealers shall assess and satisfy themselves on the ability of the borrower to repay the loan in foreign currency having regard to his/her employment abroad or existing balances in his/her PFCA.
- 2.2 Loans proceeds shall be disbursed in Sri Lanka Rupees to the borrower unless the borrower requests to transfer the loan proceeds to foreign currency accounts maintained by persons resident in Sri Lanka, who develop residential or commercial property, provided such persons (i.e., holders of Business Foreign Currency Accounts and Offshore Banking Unit Accounts who engage in the business of sale of property in Sri Lanka) are permitted to accept foreign currency.

**3. Loans and Advances granted in Sri Lanka Rupees**

- 3.1 Loans and advances in Sri Lanka Rupees shall be granted after assessing and satisfying of the credit risk of the loan, particularly on the borrower's ability to repay the loan having regard to his/her employment abroad.
- 3.2 Loan proceeds shall be disbursed in Sri Lanka Rupees to the borrower.

4. The tenure, security, repayment or service of the loans and advances granted in foreign currency and in Sri Lanka Rupees and the recovery of loans in foreign currency, in Sri Lanka Rupees at default shall be in terms of the regulations.

**5. Other Conditions**

- 5.1 Authorized Dealers shall maintain documentary evidence obtained at the time of granting the loan beyond any statutory record keeping requirement, until the loan is fully settled. Once loan is settled, the related documentary evidence shall be maintained up to the statutory record keeping requirement.
- 5.2 Authorized Dealers shall furnish monthly statements on loans granted under these Directions to the Director-Department of Foreign Exchange as per the Annex I on or before the 15th day of the following month by email to [dfem@cbsl.lk](mailto:dfem@cbsl.lk).
- 5.3 Terms and conditions and recovery of loans and advances that have been granted to Sri Lankans employed abroad under the provisions of the repealed Exchange Control Act, No.24 of 1953 shall also be effected in terms of these Directions.

**Director-Department of Foreign Exchange**

**Annex I to the Directions No. 10 of 2017**

**MONTHLY STATEMENT OF LOANS AND ADVANCES TO SRI LANKANS EMPLOYED ABROAD**

Name of the Bank: .....

Reporting Month &amp; Year: .....

Type of Loan	Name of the Borrower	Date of granting the Loan	Tenure of the Loan	Amount Granted	Purpose of the Loan	Nature of Security
Foreign Currency Loans (Indicate the type of foreign currency)						
Sri Lanka Rupee Loans						

We certify that the above information extracted/generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer :..... Name of the Compliance Officer :.....  
 Signature :..... Signature :.....  
 Date :..... Date :.....

**Directions No. 11 of 2017 Under Foreign Exchange Act, No. 12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON LOANS TO SRI LANKANS, RESIDENT OUTSIDE SRI LANKA ON PERMANENT RESIDENCY VISA (PR) IN ANOTHER COUNTRY AND DUAL CITIZENS**

In terms of Foreign Exchange (Classes of Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 01 of 2017 and Section 9 (2) of the Foreign Exchange Act, No. 12 of 2017 (the Act), Authorized Dealers are permitted to grant loans from their Domestic Banking Units to Sri Lankans, resident outside Sri Lanka on PR in another country and individuals who have obtained dual citizenship in Sri Lanka and any other country, irrespective of their residential status, subject to the following.

**2. Purpose of granting the loans**

- 2.1 To acquire a residential property in Sri Lanka.
- 2.2 To construct/develop/renovate a residential property in Sri Lanka.

**3. Loans granted in Foreign Currency (FCY loans)**

- 3.1 FCY loans shall be granted only if the borrower has foreign currency earnings to repay the loan and the Authorized Dealers shall assess and satisfy themselves on the ability of the borrower to repay the loan in foreign currency prior to granting the loan.
- 3.2 A Foreign Currency Loan Account (FCLA) shall be opened in the name of the borrower, for the purposes of disbursing the loan proceeds and receiving repayments of the loan. FCLA shall be closed immediately after settling the loan in full.
- 3.3 Loan proceeds shall be disbursed from FCLA in Sri Lanka Rupees unless the borrower requests to transfer the loan proceeds to foreign currency accounts maintained by persons resident in Sri Lanka, who develop residential property, provided such persons are permitted to accept foreign currency.
- 3.4 The loan shall be repaid through foreign currency inward remittances or by utilizing funds available in Personal Foreign Currency Accounts (PFCAs) and Inward Investment Accounts (IIAs) of the borrower.

**4. Loans granted in Sri Lanka Rupees (LKR loans)**

- 4.1 Authorized Dealers shall grant LKR loans after assessing and satisfying on the ability to repay the loans.
- 4.2 An LKR Loan Account (LLA) shall be opened in the name of the borrower for the purposes of disbursing the loan proceeds and receiving repayments of the loan.
- 4.3 Loan proceeds shall be disbursed only in Sri Lanka Rupees.
- 4.4 The loan shall be repaid with foreign currency inward remittances, by utilizing funds available in PFCAs and IIAs and by utilizing Sri Lanka Rupee earnings of the borrower.

5. Recovery of loans in foreign currency or in Sri Lanka Rupees at default shall be in terms of the regulations.

**6. Other Conditions**

- 6.1 Authorized Dealers shall assess all risks associated with the loan and take appropriate prudent measures to mitigate such risks, including obtaining adequate security in the form of mortgage over freehold property or in the form of lien on foreign currency deposits or assets.
- 6.2 Authorized Dealers shall obtain a valuation of the property from a valuer selected in terms of the prudential regulations issued under the Banking Act, No. 30 of 1988, prior to issuing the loan, if the loan proceeds are utilized for the construction/development/renovation in an inherited property of the borrower or in a property owned by the borrower while being resident in Sri Lanka.
- 6.3 Authorized Dealers shall ensure that sale proceeds derived from property that was acquired/constructed/developed/renovated utilizing loan proceeds in terms of Paragraph 6.2 are remitted outside Sri Lanka on the following basis.
  - a) Sale proceeds proportionate to the amount remitted to Sri Lanka to repay the loan could be remitted freely.

- b) Any balance sale proceeds shall be remitted subject to the migration allowance.
- 6.4 Authorized Dealers shall issue a confirmation of inward remittances utilized for servicing the loan to the borrower to facilitate future outward remittances.
- 6.5 Authorized Dealers shall maintain documentary evidence obtained at the time of granting the loan beyond any statutory record keeping requirement, until the loan is settled in full. Once the loan is settled, the related documentary evidence shall be maintained up to the statutory record keeping requirement.
- 6.6 Authorized Dealers shall furnish monthly statements of loans granted under these Directions to the Director-Department of Foreign Exchange as per Annex I on or before the 15th day of the following month by email to dfem@cbsl.lk.
7. Terms and conditions and recovery of loans that have been granted to Sri Lankans, resident outside Sri Lanka on PR in another country and Dual Citizens under the provisions of the repealed Exchange Control Act, No. 24 of 1953 shall be effected in terms of these Directions.

**Director-Department of Foreign Exchange**

**Annex I to the Directions No.11 of 2017**

**MONTHLY STATEMENT OF LOANS TO SRI LANKANS, RESIDENT OUTSIDE SRI LANKA ON PR IN  
ANOTHER COUNTRY AND DUAL CITIZENS**

Name of the Bank: .....

Reporting Month & Year: .....

Type of Loan	Name of the borrower	Date of granting the Loan	Type of Currency	Amount Granted	Purpose of the Loan
Foreign Currency Loans (Indicate the type of foreign currency)					
Sri Lanka Rupee Loans					

We certify that the above information extracted/generated from the books of accounts of the bank as accurate.

Name of the Authorized Officer :.....

Name of the Compliance Officer :.....

Signature :.....

Signature :.....

Date :.....

Date :.....

**Directions No. 12 of 2017 Under Foreign Exchange Act, No.12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS AND PRIMARY DEALERS APPOINTED AS DESIGNATED  
AGENTS FOR SRI LANKA DEVELOPMENT BONDS**

In terms of Sections 4 and 9 (2) of the Foreign Exchange Act, No. 12 of 2017 (the Act) read with Section 7 of the Act, permission is granted to Authorized Dealers and Primary Dealers who have been appointed by the Superintendent of Public Debt of the Central Bank of Sri Lanka (SPD) as Designated Agents for the purpose of purchasing and marketing Sri Lanka Development Bonds (SLDBs) issued by the Government of Sri Lanka (GOSL) as follows.

- 2.1 To maintain the following two special foreign currency accounts in United States Dollars (USD) with an Authorized Dealer for the purpose of acquiring, holding and transferring SLDBs.
- (a) A USD interest bearing account titled 'Sri Lanka Development Bonds Investment Account' (SLDBIA) maintained on behalf of GOSL to credit funds payable to GOSL, which are received from the categories of investors specified in Paragraph 3 below, who directly purchase SLDBs from GOSL.
- (b) A USD account titled 'Dollar Account for Bond Investment' (DABI) which may be maintained on an interest bearing basis for the purpose of purchasing SLDBs from GOSL and dealing in SLDBs with the categories of investors specified in Paragraph 3 below. In the case of Authorized Dealers, the maintenance of this account is not mandatory.
- 2.2 Designated Agents who are Primary Dealers to purchase USD from an Authorized Dealer subject to the condition that such purchases are limited to the extent necessary to purchase SLDBs from GOSL or from a holder of SLDBs, where any sums procured are not necessary for the purchase of SLDBs, the Primary Dealer shall forthwith sell the foreign exchange to an Authorized Dealer.

**3. Categories of eligible investors of SLDBs:**

- (a) Primary Dealers appointed by the Central Bank of Sri Lanka under the Registered Stocks and Securities Ordinance, No. 7 of 1937 and the Local Treasury Bills Ordinance, No. 8 of 1923.
- (b) Citizens of foreign States whether resident in Sri Lanka or outside Sri Lanka.
- (c) Citizens of Sri Lanka who have obtained Permanent Residency Visa in another country and residing outside Sri Lanka.
- (d) Citizens of Sri Lanka who have proceeded outside Sri Lanka to take up employment or to set up in business or to engage in a profession.
- (e) Bodies incorporated or unincorporated under the laws of a country other than Sri Lanka.
- (f) Companies which have entered into agreements in terms of Section 17 of the Board of Investment of Sri Lanka Law, No. 4 of 1978 with full exemption from the provisions of the repealed Exchange Control Act, No. 24 of 1953 provided that all purchases of SLDBs are made against debits to foreign currency accounts maintained only for the purpose of crediting earnings from exports of such companies.
- (g) Companies registered to carry on insurance business in Sri Lanka under the provisions of the Regulation of Insurance Industry Act, No. 43 of 2000 provided that all purchases of SLDBs are made against debits to Special Foreign Currency Accounts maintained with Authorized Dealers by such insurance companies in terms of the approval granted under the provisions of the repealed Exchange Control Act, No. 24 of 1953.
- (h) Holders of Personal Foreign Currency Accounts and Business Foreign Currency Accounts.
- (i) Licensed Specialized Banks and Licensed Finance Companies which have been permitted to accept deposits in foreign currency.
- (j) Authorized Dealers appointed by the Central Bank of Sri Lanka under the Sections 4 (1) (a) and 4 (1) (b) of the Act.
- (k) Citizens of Sri Lanka who have dual citizenship provided such individuals are residing outside Sri Lanka.

**4. Sri Lanka Development Bond Investment Account (SLDBIA)****4.1 Permitted Credits**

- (a) Funds received in USD from investors specified in Paragraph 3 above for the purchase of SLDBs from GOSL.

**4.2 Permitted Debits**

- (a) Transfer of funds, in accordance with instructions given in the offer document or circular issued by SPD, being payment to GOSL for purchasing SLDBs by investors specified in Paragraph 3 above.
- (b) Transfer of funds to investors specified in Paragraph 3 above being refund and payments for any other purpose, on the instructions of SPD.

**5. Dollar Account for Bond Investment (DABI)****5.1 Permitted Credits**

- (a) USD procured and assigned for the purpose of purchasing SLDBs.
- (b) Funds received from investors specified in Paragraph 3 above on the sale of SLDBs to them.
- (c) Amounts received as repayment of principal and interest on SLDBs held by the account holder.

**5.2 Permitted Debits**

- (a) Transfer of funds in accordance with instructions given in the offer document or circular issued by SPD, being payments to GOSL for the acquisition of SLDBs.
- (b) Payments to sellers of SLDBs from whom SLDBs are purchased by the account holder in the secondary market.
- (c) Transfer of funds in accordance with instructions given in the offer document or circular issued by SPD, being any other amounts payable to SPD, such as fees for sub-division and consolidation of bonds.
- (d) Sale of foreign exchange in the account in excess of the account holder's requirements to purchase SLDBs, to an Authorized Dealer.

**Director-Department of Foreign Exchange**

**Directions No. 13 of 2017 Under Foreign Exchange Act, No. 12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON INWARD INVESTMENT ACCOUNTS**

In terms of the Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts for the purpose of engaging Capital Transactions) Regulations No. 02 of 2017 (regulations on accounts) and Section 9 (2) read with Section 7 of the Foreign Exchange Act, No. 12 of 2017 (the Act), Licensed Commercial Banks as Authorized Dealers are permitted to open and maintain Inward Investment Accounts (IIAs) subject to the stipulations set out in the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorized Dealers) Regulations No. 01 of 2017 (regulations on capital transactions) issued under the Act and the following,

**2. Eligible Persons**

Eligible persons to open IIAs are specified in regulations on accounts.

**3. Permitted Credits**

3.1 Permitted credits of IIAs are specified in regulations on accounts.

3.2 In terms of the authority granted to the Central Bank of Sri Lanka, following credit is permitted to IIAs in addition to the credits specified in regulations on accounts.

(a) Dividends, proceeds on sale, share buyback and any other related income received from all classes of shares issued by companies incorporated in Sri Lanka against the value of plant and equipment supplied by the non-resident investor.

**4. Permitted Debits**

4.1 Permitted debits of IIAs are specified in regulations on accounts.

4.2 In terms of the authority granted to the Central Bank of Sri Lanka, following debit is permitted to IIAs in addition to the debits specified in regulations on accounts.

(a) Transfer of proceeds of foreign currency loans (including debt securities) to Business Foreign Currency Accounts held by a person resident in Sri Lanka (i.e. borrower) where such loans have been obtained in terms of a permission granted in terms of the provisions of the Act (excluding loans obtained for the purpose of making capital transactions outside Sri Lanka).

**5. Other Conditions**

5.1 An IIA shall not be overdrawn and no accommodation shall be extended to IIA holder.

5.2 Transactions specified in Sub-Paragraph (c), (f), (g) and (i) of Paragraph 1(2) and Sub-Paragraph (d), (e), (f) of Paragraph 1(3) of Schedule II of regulations on accounts shall be made with reference to the general permission granted under regulations on capital transactions and subsequent regulations may be issued from time to time and special permissions granted in terms of Section 7 of the Act.

5.3 At the time of executing the transaction permitted under Sub-Paragraph (c) of Paragraph 1(2) of Schedule II of regulations on accounts, a Licensed Commercial Bank as an Authorized Dealer shall ensure that all income and proceeds of investments are credited to the IIA where such investment have been made out of the re-designated Securities Investment Account, prior to the date of operation of regulations on capital transactions.

5.4 At the time of executing the transaction permitted under Sub-Paragraph (f) of Paragraph 1(2) of Schedule II of regulations on accounts, Licensed Commercial Bank as the Authorized Dealer shall ensure that foreign currency loans (including debt securities) have been obtained by the borrower in terms of regulations on capital transactions or special approval granted under the provisions of the Act.

5.5 Licensed Commercial Banks as Authorized Dealers shall obtain proper legally acceptable documentary evidence (as required) to establish the legality and bona-fide of the underlying transaction to be carried out and to ensure the compliance to the conditions imposed in these directions.

5.6 Licensed Commercial Banks as Authorized Dealers shall maintain documentary evidence obtained at the time of making transaction beyond any statutory record keeping requirements until the expiry of six years after the disposal of the investment made.

5.7 Closure of an IIA,

(a) IIA may be closed only after disposing all the investments acquired by the account holder through the said IIA.

- (b) However, in the event an IIA holder requests for a closure of the IIA before disposing the investments made through the same, for the purpose of opening a new IIA or transferring funds to an IIA with another Authorized Dealer, the Authorized Dealer with whom the original IIA is held shall forward to the Authorized Dealer who operates the recipient IIA, a confirmation of the outstanding investments made out of the funds in the IIA to be closed, at the request of the account holder.

## 6. Reporting to the Director - Department of Foreign Exchange.

- 6.1 Licensed Commercial Banks as Authorized Dealers shall furnish the details of IIA to this department on a daily basis via <https://www.cbsl.lk/forexnet>.
- 6.2 Licensed Commercial Banks as Authorized Dealers shall implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirements.
- 6.3 Licensed Commercial Banks as Authorized Dealers shall incorporate verification of accuracy and completeness of information submitted electronically to the Department of Foreign Exchange, in its internal audits, periodic reviews and compliance programs and evidence to that effect shall readily be available for inspections by Department of Foreign Exchange.

### Director-Department of Foreign Exchange

#### Directions No. 14 of 2017 Under Foreign Exchange Act, No. 12 of 2017

20 November 2017

#### DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON OUTWARD INVESTMENT ACCOUNTS

In terms of Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts for the purpose of engaging in Capital Transactions) Regulations No. 02 of 2017 (the regulation on accounts) and Section 9 (2) read with Section 7 of the Foreign Exchange Act, No. 12 of 2017 (the Act), Licensed Commercial Banks as Authorized Dealers are permitted to open and maintain Outward Investment Accounts (OIAs), subject to the following conditions and as permitted in the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorized Dealers) Regulation No. 01 of 2017 (the regulation on capital transactions).

### 2. Eligible Persons

Eligible persons to open OIAs are specified in the regulation on accounts.

### 3. Permitted Credits

- 3.1 Permitted credits of OIAs are specified in the regulation on accounts.
- 3.2 In terms of the authority granted to the Central Bank of Sri Lanka, following credits are permitted to OIAs in addition to the credits specified in the regulation on accounts.
- (a) Transfers from another OIA of the account holder.
- (b) Remittances received as dividends, proceeds on sale and maturity, capital gains, liquidation proceeds, capital reductions receivable on shares, sovereign bonds, units and debt securities, profits, margins and surplus funds, management fees, consultancy fees and commissions or any other related receipts etc. (including any subsequent shares devolving on the investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion), received in respect of capital transactions undertaken outside Sri Lanka by persons resident in Sri Lanka under a permission granted in terms of the provisions of the Act or the repealed Exchange Control Act, No. 24 of 1953, where such capital transactions have been made out of Personal Foreign Currency Accounts (PFCAs) or Business Foreign Currency Accounts (BFCAs) of the account holder.

### 4. Permitted Debits

- 4.1 Permitted debits of OIAs are specified in the regulation on accounts.
- 4.2 In terms of the authority granted to the Central Bank of Sri Lanka, following debits are permitted to the OIAs in addition to the debits specified in the regulation on accounts.
- (a) Transfers to another OIA of the account holder.
- (b) Transfers to Rupee Accounts of the account holder.
- (c) Transfers to PFCAs and BFCAs of the account holder out of the dividends, proceeds on sale and maturity, capital gains,

liquidation proceeds, capital reductions receivable on shares, sovereign bonds, units and debt securities, profits, margins and surplus funds, management fees, consultancy fees and commissions or any other related receipts etc. (including any subsequent shares devolving on the investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion), received from an overseas capital transaction (i.e., outward investment) into an OIA, where the investment had been made out of the funds transferred in to an OIA from such PFCAs or BFCAs or by directly debiting such PFCAs or BFCAs.

## 5. Other Conditions

- 5.1 OIA should be operated as a foreign currency account in the Domestic Banking Unit in any designated foreign currency.
- 5.2 An OIA shall not be held jointly by eligible investors.
- 5.3 Resident investor shall open and maintain all OIAs with one Licensed Commercial Bank as the Authorized Dealer.
- 5.4 Rupee proceeds should be converted into foreign currency and be credited to OIA only after the fulfillment of all the requirements stipulated in the regulations on capital transactions and subject to the conditions of these directions by the resident investor. Under no circumstances such funds shall be retained in OIA without making the investment.
- 5.5 Transactions specified in Sub-Paragraph (a) (c) (d) of Paragraph 2.(4) of Schedule II of the regulations on accounts and Sub-Paragraph (a) of Paragraph 2.(5) of Schedule II of the regulations on accounts shall be made with reference to regulations on capital transactions and subsequent regulations may be issued from time to time or special permission granted in terms of the provisions of the Act.
- 5.6 Payments specified in Sub-Paragraph (a) of Paragraph 2.(5) of Schedule II of regulations on accounts shall be remitted to an account of the overseas company (i.e. investee) or to the account of the seller of the permitted security (through stock broker in the case of investee is listed on a Stock Exchange) or to an account held by the resident investor in that country (according to the legal requirement of that country on foreign investments) or to the account of the appointed secretary or registrar of the investee in the event the investee is in the process of incorporation.
- 5.7 Transfers specified in Sub-Paragraph (c) of Paragraph 2.(5) of Schedule II of the regulations on accounts and Sub-Paragraph (iii) of Paragraph 4(b) of this direction shall be proportionate to the amount of the investment made utilizing funds in PFCAs or BFCAs of the account holder.
- 5.8 In the event a resident investor intends to remit funds for an additional investment into an investee through an OIA, where a part of the investment has been already made via an OIA, the proposed additional investment shall be routed via the same OIA through which the initial investment was made.
- 5.9 Licensed Commercial Banks as Authorized Dealers shall ensure that any outward remittance from an OIA shall be effected only after the submission of documents at Annex I by a resident investor and are subject to the applicable limits specified in regulations on capital transactions or a special permission granted under the provisions of the Act.
- 5.10 Licensed Commercial Banks as Authorized Dealers shall obtain an affidavit (as applicable) to ensure the following.
  - (a) The resident investor has not opened any other OIAs with another Licensed Commercial Bank as Authorized Dealer.
  - (b) In case of an investment to be carried out by an individual person or a partnership, that the individual person or partners are resident in Sri Lanka in terms of the Order issued under Section 31(3) of the Act.
- 5.11 Licensed Commercial Banks as Authorized Dealers shall obtain proper legally acceptable documentary evidence (as required) to establish the legality and bona-fide of the underlying transaction to be carried out and ensure the compliance to the conditions imposed in these directions in addition to the documents mentioned in these directions.
- 5.12 In case the outward remittance for the proposed investment has not been made due to any reason after obtaining the clearance letter mentioned in the sub paragraph (c) of paragraph 1 of Annex I, Licensed Commercial Bank as the Authorized Dealer shall inform the same immediately to the Director- Department of Foreign Exchange via [dfem@cbsl.lk](mailto:dfem@cbsl.lk).
- 5.13 Licensed Commercial Banks as Authorized Dealers shall close OIA only after disposing all the investments acquired by the account holder through the said OIA and shall inform the same to the Director- Department of Foreign Exchange along with the details on the disposal of all investments made through the same OIA.

## 6. Reporting to the Director- Department of Foreign Exchange

- 6.1 Licensed Commercial Banks as Authorized Dealers shall furnish the details of OIA to this department on a daily basis via <https://www.cbsl.lk/forexnet>.



- 6.2 Licensed Commercial Banks as Authorized Dealers shall implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirements.
- 6.3 Licensed Commercial Banks as Authorized Dealers shall incorporate verification of accuracy and completeness of information submitted electronically to the Department of Foreign Exchange, in its internal audits, periodic reviews and compliance programs and evidence to that effect shall readily be available for inspection by Department of Foreign Exchange.
- 6.4 Licensed Commercial Banks as Authorized Dealers shall obtain the documents at Annex II from the resident investor and submit such documents to the Director of Foreign Exchange within stipulated time period.

### Director-Department of Foreign Exchange

#### Annex I

1. Following documents should be obtained for all outward investments under this direction.
  - (a) Request including the information at Annex III.
  - (b) Recommendation by a Fellow Member of the Institute of Chartered Accountants of Sri Lanka in the format at Annex IV.
  - (c) Clearance from the Department of Foreign Exchange to the effect that there is no pending investigation under the provisions of the Foreign Exchange Act No.12 of 2017 or the repealed Exchange Control Act, No. 24 of 1953 (for each outward remittances for the investments).
  - (d) In the event a special permission has been granted for the resident investor to open and maintain OIAs with one or more Licensed Commercial Bank as Authorized Dealer (Secondary Bank/s), a confirmation from the Secondary Bank/s on the total amount of the investments made via said OIAs of the resident investor maintained at Secondary Bank/s to ascertain the compliance to the permitted limits for the period (as applicable).
2. In addition to above, following category-specific documents should also be obtained.
  - A. Companies registered under the Companies Act, No. 07 of 2007 other than a company limited by guarantee.
    - (a) Certified copy of the Certificate of Incorporation and Memorandum and Articles of Association.
    - (b) The Resolution passed by the Board of Directors of the company on the approval for proposed investment.
  - B. A partnership registered in Sri Lanka.
    - (a) Certified copy of the partnership agreement and registration.
    - (b) Tax clearances to cover the amount of investment by each partner (as required by the Inland Revenue Department).
  - C. An individual resident in Sri Lanka.
    - (a) Documentary evidence for the proof of the residential status.
    - (b) Tax Clearance to cover the investment amount (as required by the Inland Revenue Department).

#### Annex II

1. Within three months from the outward remittance of foreign exchange:
  - (a) Certificate of Incorporation, Memorandum and Articles of Association of the new company incorporated outside the country in case of an investment in the shares of an unlisted company.
  - (b) Registration Certificate of Overseas Offices.
  - (c) Copies of the share certificates issued or any other evidence in respect of a share investment in an unlisted corporate incorporated outside Sri Lanka.
  - (d) Copies of share investment/enrolment certificates issued to all resident employees who subscribed to an Employee Share Option Scheme.
  - (e) Statements from relevant Central Depository Systems of overseas Stock Exchanges with regard to the investments in listed shares of companies incorporated outside Sri Lanka and sovereign bonds issued by foreign governments and government organizations.
  - (f) Copies of the certificates for the enrollment of units/debt securities issued outside Sri Lanka.

2. On an annual basis,
  - (a) Audited accounts of the unlisted overseas companies and overseas offices.
  - (b) Statements from relevant Central Depository Systems of overseas Stock Exchanges with regard to the investments in listed shares of companies incorporated outside Sri Lanka and sovereign bonds issued by foreign governments and government organizations.

## Annex III

### Information on Investments Abroad

#### 1. General Information

- (a) Name of the Company/Partnership/Individual:
- (b) Business Registration No./National Identity Card No./Passport No. only if the resident investor is a foreign national person resident in Sri Lanka and does not possess a valid National Identity Card:

#### 2. Details on Foreign Investment (as applicable)

##### 2.1 Investment in shares/ sovereign bonds/ units/ debt securities;

- i. Total amount to be Invested (in USD) ;
- ii. Name of Overseas Company/issuer and country ;
- iii. Number of shares/ bonds/ units/ debt securities to be acquired ;
- iv. Price of a share/ bond/ unit/ debt security ;
- v. Date of maturity ;
- vi. Rate of Interest ;
- vii. Sovereign credit rating of the issuing entity ;

##### 2.2 Investments for Setting up and maintenance of Overseas Offices

- i. Total amount to be Invested in USD ;
- ii. Type and purpose of Overseas office and country ;

I hereby declare that the above information is true and accurate to the best of my knowledge.

Director:

Director:

## Annex IV

Recommendation by ..... a Fellow Member of the Institute of Chartered Accountants for the release of foreign exchange for the purposes of the Regulation issued in terms of the Foreign Exchange Act, No. 12 of 2017

To: Manager

Branch:

Name of the Licensed Commercial Bank as an Authorized Dealer:

I hereby confirm that the below investment was analyzed by me on the basis of the criteria laid down by the Head of the Department of Foreign Exchange of Central Bank of Sri Lanka in that regard and recommend the said investment details of which are set out below.

#### 1. General Information

- (a) Name of the Investor:
- (b) Amount in USD (or equivalent amount in other designated foreign currencies):

#### 2. Details of the Investment (as applicable)

- (a) Name of the investee and Country:
- (b) Type of the investment (shares/sovereign bonds/units/debt securities/ overseas office):
- (c) If it is an overseas office, purpose of the overseas office:

- (d) No. of shares/ sovereign bonds/units/ debt securities etc.:
- (e) Price per share sovereign bonds/units/ debt securities etc.:
- (f) Date of maturity:
- (g) Rate of Interest:
- (h) Special Remarks (if any):

Signature:

Date:

**Directions No. 15 of 2017 Under Foreign Exchange Act, No. 12 of 2017**

20 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON BANK GUARANTEES OR BONDS,  
STANDBY LETTERS OF CREDIT AND CORPORATE GUARANTEES**

In terms of the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorized Dealers) Regulations No 01 of 2017 (regulations on capital transactions) and Section 9 (2) of the Foreign Exchange Act, No. 12 of 2017, Licensed Commercial Banks as Authorized Dealers are permitted to issue and renew bank guarantees, bonds, standby letters of credit and make payments in relation to corporate guarantees subject to the following.

2. Licensed Commercial Banks as Authorized Dealers shall obtain evidence in proof of the underlying transaction (as required), which shall be a transaction permitted in terms of permission granted under the provisions of the Act.
3. Licensed Commercial Banks as Authorized Dealers shall evaluate and ensure the financial strength of the company to meet any contingent liability arising out of the guarantee to be issued.
4. In the event of issuing;
  - 4.1 Advance payment guarantees,
    - (a) the guarantee value shall be less than or equal to the value of the advance payment received by the resident in Sri Lanka from the person resident outside Sri Lanka,
    - (b) the guarantee shall include a condition that it will be valid only after the receipt of the advance payment from the resident outside Sri Lanka to the accounts in Sri Lanka of the person resident in Sri Lanka,
  - 4.2 Performance bond, it shall be subject to proof of award of the contract and conditions stipulated therein.
  - 4.3 Bid bond, it shall be subject to the conditions stipulated in the tender or quotation.
5. Licensed Commercial Banks as Authorized Dealers shall obtain an affidavit from the company to the effect that no guarantee has been obtained from any other Licensed Commercial Banks as Authorized Dealer for the same purpose.
6. Licensed Commercial Banks as an Authorized Dealer shall obtain proper legally acceptable documentary evidence (as required) to establish the legality and bona-fide of the underlying transaction to be carried out and to ensure the compliance of the conditions imposed in these directions other than the documents mentioned in these directions.
7. Valid Claims
  - 7.1 Licensed Commercial Banks as Authorized Dealers are also permitted to make outward remittances arising from valid claims in respect of the Bank Guarantees, Bonds, Standby Letters of Credit and Corporate Guarantees permitted in the aforementioned Gazette upon satisfying with the bona-fide of the underlying transaction.
  - 7.2 The maximum amount of the valid claim under a guarantee shall be limited to the proportion of the outstanding obligation of the underlying capital transaction. In the event, a valid claim of a guarantee issued on behalf of a company incorporated in Sri Lanka (i.e. investor) in favour of a company incorporated outside Sri Lanka (i.e. investee), the maximum amount of the claim shall be proportionate or lower to the percentage of shareholding of the investor in the investee of the outstanding obligation at the time of the claim.
8. **Reporting to the Department of Foreign Exchange:** A quarterly Report on guarantees issued by the Licensed Commercial Banks as an Authorized Dealer as permitted in the regulation on capital transaction as per the Annex I on or before 15<sup>th</sup> day of the following month. The scanned copy of the report shall be forwarded via [dfem@cbsl.lk](mailto:dfem@cbsl.lk).

**Director-Department of Foreign Exchange**

**REPORT ON GUARANTEES**

Name of the Authorized Dealer: .....

Year/Quarter: .....

**1. Guarantees**

No. of Guarantees issued	No. of Guarantees retired	Outstanding Value

**2. Details of the outward remittances made under the claims, if any:**

Name of the company	Date and Amount of Remittance	Nature of the claim	Type of the guarantee (Corporate/ Advance Payments/ Standby Letter of Credit, etc)

I certify that the information given above is true and accurate.

.....  
Date.....  
Name and Signature of the Authorized Officer**Directions No. 24 of 2017 Under Foreign Exchange Act, No. 12 of 2017**

27 November 2017

**DIRECTIONS ISSUED TO AUTHORIZED DEALERS ON DIPLOMATIC FOREIGN CURRENCY ACCOUNTS (DFAs) AND DIPLOMATIC RUPEE ACCOUNTS (DRAs)**

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 02 of 2017 (the regulations) and Sections 9 (1) and 9 (2) of the Foreign Exchange Act, No.12 of 2017, Authorized Dealers are permitted to open and maintain DFAs and DRAs in the names of the following persons in addition to the eligible persons mentioned in the regulations.

**1.1 Eligible Persons**

- (c) Foreign Diplomatic Missions
- (d) Family members of Diplomatic personnel, in Sri Lanka, who hold diplomatic or non-diplomatic passports and have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

**Director-Department of Foreign Exchange****Ref: 37/06/001/0001/016**

16 January 2017

**Circular No. 01/17**

To: Chief Executive Officers of Licensed Banks/Licensed Finance Companies

**ONSITE EXAMINATIONS IN TERMS OF RISK BASED APPROACH - EXAMINATION PLAN 2017**

The Financial Intelligence Unit (FIU) will conduct onsite examinations of licensed banks and licensed finance companies under risk based approach commencing from January 2017 in terms of the Financial Institutions (Customer Due Diligence) Rules, No.1 of 2016 and Financial Transactions Reporting Act, No. 6 of 2006 (FTRA). Examiners, during the period of examinations, will focus on the availability of proper systems and controls to identify and mitigate the risk of money laundering and terrorist financing. The following steps will be adopted with regard to said examinations.

- a) The Director FIU will inform the Chief Executive Officer of the relevant financial institution in writing about the commencement of examination in terms of Section 15(1) (e) read with Section 18 of the FTRA.
- b) Examiners will visit the head office/ selected branches of the financial institution to conduct the onsite examination.
- c) An exit meeting with the key management personnel will be held to inform about the findings.
- d) If necessary, the FIU will convene a meeting with the board of directors of the financial institution to discuss the key findings and propose an action plan to rectify deficiencies.
- e) The financial institution is informed to table the findings of the examination at the earliest board meeting possible and submit a board approved time bound action plan to rectify the weaknesses of systems and controls as highlighted by the FIU within 15 days after the said board meeting.
- f) In the event of failure to comply, the financial institution shall be liable to be dealt with in accordance with the Section 19 of the FTRA.

**Director/Financial Intelligence Unit**

**Ref: 37/05/002/0017/016**

20 January 2017

**Circular No. 02/17**

To: CEO/General Manager/ Managing Director (Money Value Transfer Service Provider concerned)

**GUIDELINES ON AML/CFT COMPLIANCE OBLIGATIONS FOR MONEY OR VALUE TRANSFER SERVICE PROVIDERS, NO. 01 OF 2017**

The above Guidelines will come into force with immediate effect and shall be read together with the Financial Transactions Reporting Act, No. 6 of 2006 and the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016.

**Director/Financial Intelligence Unit**

**GUIDELINES ON AML / CFT COMPLIANCE OBLIGATIONS FOR MONEY OR VALUE TRANSFER SERVICE PROVIDERS, NO. 01 OF 2017**

**1. Introduction**

- (a) The Financial Intelligence Unit of Sri Lanka (FIU), acting within the powers vested with it under the Financial Transactions Reporting Act, No. 06 of 2006 (FTRA), issued the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016 by Gazette Extraordinary No. 1951/13, dated January 27, 2016; effective from the date of issue, applicable to institutions which engage in "finance business" as defined under Section 33 of the FTRA.
- (b) As applicable under Rule 3 of the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016, the rules introduce, inter alia, provisions requiring financial institutions identified under the rules to take measures specified therein for the purpose of identifying, assessing, and managing money laundering and terrorist financing risks posed by its customers by conducting ongoing customer due diligence (CDD).
- (c) The present guidelines are issued by the FIU to be adhered to by Money or Value Transfer Service (MVT) Providers as defined under the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016, in accordance with the provisions of the said rules and Section 2 of the FTRA to facilitate their compliance with the provisions of the rules and the FTRA in conducting ongoing customer due diligence based on a risk based approach as defined in the rules and to outline broad principles and standards for operators of mobile phone based e-money systems.
- (d) These guidelines will come into force with immediate effect and shall be read together with the Financial Transactions Reporting Act, No. 06 of 2006 and the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016. Any violation or non-compliance of any provision of these guidelines will be subject to penalties, sanctions and actions identified under the FTRA.

**2. Applicability**

These guidelines will be applicable to all institutions that provide money or value transfer services as defined under the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016 and would include but not limited to:

- i. Institutions licensed under the Banking Act, No. 30 of 1988 and carrying on money or value transfer services business;
- ii. Institutions licensed under the Finance Business Act, No. 42 of 2011 and carrying on money or value transfer services business;

- iii. Any institution carrying on money or value transfer services business as permitted under the Exchange Control Act, No. 24 of 1953;
- iv. Any operator of mobile phone based e-money systems, licensed in terms of the Payments and Settlement Systems Act, No. 28 of 2005; and
- v. Any other institution identified by the FIU as providing services similar to money or value transfer services within the country.

### 3. AML/CFT Requirements

- 3.1. The Chief Executive Officer/Head of the MVTS provider shall appoint a senior management level officer as the institution's compliance officer, who shall be responsible for AML/CFT compliance functions in terms of Section 14 of the FTRA and inform details of the compliance officer to the FIU.
  - 3.1.1. Upon receiving information of the appointment of the compliance officer, the FIU will make necessary arrangements to provide the compliance officer access to the FIU website.
  - 3.1.2. All MVTS providers shall report to the FIU of cash transactions and/or electronic funds transfers of an amount exceeding rupees one million (Rs. 1,000,000), or its equivalent in any foreign currency.
    - 3.1.2.1. The amount described above can be the value of a single transaction or an aggregated value of several transactions performed by a person, within a day, using one or more sim cards registered under such person's name.
  - 3.1.3. The MVTS providers shall be able to identify the maximum number of sim cards issued, particulars of the sim cards and registration/enrolment details of each person in such MVTS services.
  - 3.1.4. The MVTS provider shall endeavour to carry out, as practicable, all efforts to link the issued sim cards enabling the service provider to monitor the total value of the transactions performed within a day.
  - 3.1.5. The MVTS provider shall endeavour to identify, as far as practicable, beneficial ownership of funds transferred, and be mindful of series of linked transactions, if any.
  - 3.1.6. Such reports as is required to be provided to the FIU should be forwarded through the LankaFIN online reporting system on a fortnightly basis, in the specimen formats given in Annex-I.
  - 3.1.7. Reports for the period from 1st to 15th day of each month shall be forwarded to the FIU on or before the 30th day of the month and the reports for the balance period of each month shall be forwarded to the FIU on or before the 15th day of the subsequent month.
- 3.2. If any MVTS provider has reasonable grounds to suspect any transaction or attempted transaction related to any unlawful activity, such MVTS provider shall file a suspicious transaction report (STR) to the FIU following the procedure provided for such filing under FTRA and these guidelines.
- 3.3. Every MVTS provider should have appropriate systems to flag unusual movements of funds or transactions and scrutinize such funds or transactions in a timely manner in order to determine as to whether the funds or transactions are suspicious.
- 3.4. All MVTS providers are required to submit STRs through the LankaFIN online system, in the specimen formats given in the Annex-II.
- 3.5. The absence of required information on the originator or the beneficiary should be considered as a factor in assessing whether a transaction involving electronic funds or wire transfer is suspicious and whether it is required to be reported to the FIU.
- 3.6. Every MVTS provider shall maintain and update a list of its agents, sub-agents and/or merchants within Sri Lanka or outside Sri Lanka (if any) and provide access to such lists to the FIU on request.
- 3.7. Every MVTS provider shall have in place an adequate management information system (MIS), either electronically or manually, to complement its CDD process. The MIS is required to provide timely information on a regular basis to enable the reporting institution to detect irregularity of transactions and/or any suspicious activity.
- 3.8. MVTS providers should not misuse any innovation by way of technological advancements provided for the benefit of their customers where such misuse shall amount to a violation of KYC/CDD practices and any rule issued by the FIU.
- 3.9. In the case of a MVTS provider having foreign agents, sub agents and/or merchants, the service provider is required to ensure that such agents/subagents/merchants apply AML/CFT measures in a manner that is consistent with the AML/CFT requirements set out in Sri Lankan laws and rules and regulations issued under such laws.

- 3.9.1. On an occasion where minimum AML/CFT requirements of a foreign jurisdiction are less stringent than those of Sri Lanka, the MVTS provider must apply AML/CFT requirements under the Sri Lankan jurisdiction.

#### 4. Risk Management Functions

- 4.1. In the context of the "Risk Based Approach", the intensity and extensiveness of risk management functions shall be proportionate to the nature, scale and complexity of the MVTS provider's activities and ML/TF risk profile. Accordingly, MVTS providers are required to apply CDD requirements to customers on the basis of materiality and risk.
- 4.2. Every MVTS provider is required to:
- Carry out necessary analysis and identify ML/TF risks prevalent within its organization and operations;
  - Have policies, controls and procedures to manage and mitigate ML/TF risks that have been identified;
  - Monitor the implementation of those policies, controls, procedures and to enhance them if necessary; and
  - Take enhanced measures to manage and mitigate the risks where higher risks are identified.
- 4.3. All MVTS providers are required to identify and assess the ML/TF risks that may arise in relation to the development of new business practices, including new delivery mechanisms and the use of new or developing technologies for both new and pre-existing customers.

#### 5. Employees/Agents/Sub-agents Screening Procedures

- 5.1. MVTS providers are required to establish employee/agent/sub-agent/merchant assessment system and screening procedures that are commensurate with the size of its operations and the risk exposure of the reporting institutions to ML/TF activities.
- 5.2. The screening procedures shall apply upon hiring the employees/agents/sub-agents/merchants and should prevail throughout the course of the employment/agency.
- 5.3. MVTS providers are required to conduct awareness and training programmes on AML/CFT practices and measures for their employees. Such training must be conducted regularly and supplemented with refresher courses.
- 5.4. MVTS providers are responsible to ensure that all their agents, sub agents and merchants adhere to AML/CFT policies and procedures and should conduct regular independent audits to determine effective implementation of AML/CFT compliance.

#### Annex I

### FIU DATA REPORTING FORMAT FOR MVTS

FIU expects two electronic files for:

- Incoming Electronic Fund Transfers
- Outgoing Electronic Fund Transfers

#### 1. Incoming Electronic Fund Transfers (To Sri Lanka)

All the electronic fund receipts above the specified threshold should be reported according to the specifications given below.

Field Name	Data Type	Mandatory	Comment
Bank Code	Number(4)	YES	Institution Code issued by FIU (NNNN)
ValueDate	Number(8)	YES	YYYYMMDD Eg. 20160305 instead of 2016/03/05
ValueFCY	Number(16,2)	YES	Amount in local or foreign currency
Curcode	Text(3)	YES	Currency Code
ValueRs	Number(16,2)	YES	Sri Lanka Rupee Amount (LKR)
TxnDetails	Text(120)	YES	Purpose
SenderName	Text(75)	YES	Full Name/ Name with initials - of the sender
SenderAddress	Text(150)	YES	Sender's address
SenderBusiness	Text(50)	NO	Sender's nature of business/ Profession/ Vocation
SenderAgentID	Text(12)	YES	Code/ID of sub agent

PayoutType	Text(50)	YES	Type of Pay out/ Delivery option, Eg: Cash at an agent location, Deposit into a mobile wallet, Deposit into a bank account etc.
SenderCountry	Text(150)	YES	Sender's country
ReceiverAgentID	Text(12)	YES	Code/ID of sub agent
ReceiverAccNo	Text(30)	NO	
ReceiverName	Text(75)	YES	Full Name/ Name with initials - of the receiver
ReceiverID	Text(30)	YES	NIC or Business Registration Number
ReceiverAddress1	Text(75)	YES	
ReceiverAddress2	Text(75)	YES	
ReceiverAddress3	Text(75)	NO	
ReceiverBusiness	Text(75)	YES	
TranReference	Text(30)	YES	Transaction Reference. A unique identification code to identify the transaction.

## 2. Outgoing Electronic Fund Transfers (Out of Sri Lanka)

All outgoing electronic payments above the specified threshold should be reported according to the specifications given below.

Field Name	Data Type	Mandatory	Comment
Bank Code	Number(4)	YES	Institution Code issued by FIU (NNNN)
ValueDate	Number(8)	YES	YYYYMMDD
			Eg. 20160305 instead of 2016/03/05
			Date of money sent
ValueFCY	Number(16,2)	YES	Foreign Currency Amount
Curcode	Text(3)	YES	Currency Code
ValueRs	Number(16,2)	YES	Sri Lanka Rupee Amount (LKR)
TxnDetails	Text(120)	YES	Purpose
SenderAgentID	Text(12)	YES	Code/ID of sub agent
SenderAccNo	Text(30)	NO	
SenderName	Text(75)	YES	Full Name/ Name with initials - of the sender
SenderID	Text(30)	YES	NIC or Business Registration Number
SenderAddress1	Text(75)	YES	
SenderAddress2	Text(75)	YES	
SenderAddress3	Text(75)	NO	
SenderBusiness	Text(50)	YES	Sender's nature of business/ Profession/ Vocation
ReceiverName	Text(75)	YES	Full Name/ Name with initials - of the receiver
ReceiverAddress	Text(75)	YES	
ReceiverBusiness	Text(75)	NO	
ReceiverAgentID	Text(12)	YES	Code/ID of sub agent
PayoutType	Text(50)	YES	Type of Pay out/ Delivery option, Eg: Cash at an agent location, Deposit into a mobile wallet, Deposit into a bank account etc.
ReceiverCountry	Text(150)	YES	Receiver's country
TranReference	Text(30)	YES	Transaction Reference - A unique identification code to identify the transaction.



**Annex II - Suspicious Transaction Report (STR)**

<b>SUSPICIOUS TRANSACTIONS REPORT</b>	
a.	This report is made pursuant to the requirement to report suspicious transactions under the Financial Transactions Reporting Act, No.6 of 2006 (FTRA)
b.	Under Section 12 of the FTRA, no civil, criminal or disciplinary proceedings shall be brought against a person who makes such report in good faith.
c.	Informing the suspicion to the customer or to any other person constitutes a punishable offence for violating Section 9 of FTRA.
d.	This schedule is applicable to, <ul style="list-style-type: none"> <li>i. Institutions licensed under the Banking Act, No. 30 of 1988 and carrying on money value transfer services business;</li> <li>ii. Institutions licensed under the Finance Business Act, No. 42 of 2011 and carrying on money value transfer services business;</li> <li>iii. Any institution carrying on money or value transfer service business as permitted under the Exchange Control Act, No. 24 of 1953;</li> <li>iv. Any operator of mobile phone based e-money system, licensed in terms of the Payments and Settlement Systems Act, No. 28 of 2005;and</li> <li>v. Any other institution identified by the FIU as providing services similar to money or value transfer services within the country.</li> </ul>

<b>PART A - DETAILS OF REPORT</b>				
1.	Name of Institution			
2.	Type of Business			
3.	Date of Sending Report			
4.	Is this a replacement to an earlier report? (Y/N)			
5.	Previous Reference No. if this is a replacement report?			
<b>PART B - INFORMATION ON SUSPICION</b>				
6.	Name in Full (if organization, provide registered business/organization name)			
7.	Residential / Registered Address			
8.	NIC No. / Passport No / Driver's License No. / Business Registration No. / Any Other ID Issued by Govt. Agency			
9.	Nationality			
10.	Gender :	Male	Female	
11.	Country of Residence (If an individual )			
12.	Business/ Employment Type			
13.	Occupation (Where appropriate, principal activity of the person conducting the transaction)			
14.	Name of Employer (Where applicable)			
15.	Contact Details			
16.	Last Review Date			
<b>PART C - DESCRIPTION OF SUSPICIOUS TRANSACTION / ACTIVITY</b>				
17.	Account Number / Policy Number / Invoice Number/ Any Other Reference Number (If applicable)			
18.	Location/ Address (where suspicious transaction/ activity took place)			
19.	Frequency of Transactions			
20.	Suspicious Transaction Date			
21.	Currency Code			
22.	Total Amount Involved in Suspicious Transaction (Rs.)			
23.	Amount in Foreign Currency (If applicable)			
24.	Mode of Payment (Cash/ Fund Transfer / Cheque/ Other)			

25.	Beneficiary of Transaction, If any
26.	Related Bank Account Details (If applicable)
27.	Other Details of Transaction / Activity
28.	Selected Grounds/ Reasons for Suspicion – any other grounds for suspicion
<b>PART D - DETAILS OF REPORTING PERSON</b>	
29.	Date of Reporting
30.	Name of Reporting Person / Agency
31.	NIC Number
32.	Designation / Occupation
33.	Address
34.	Contact Details
35.	Signature and Official Stamp

In order to comply with the legal requirements of the FTRA, reporting institutions are required to submit certified copies of completed suspicious transaction report (STR) to the Financial Intelligence Unit.

**Director****Financial Intelligence Unit**

Central Bank of Sri Lanka  
No. 30, Janadhipathi Mawatha,  
Colombo 01  
Sri Lanka

Telephone : +94 11 2477125  
Fax : +94 11 2477692  
Email : [fiu@cbsl.lk](mailto:fiu@cbsl.lk)  
Web : <http://fiusrilanka.gov.lk>

Ref. No. : 34/07/029/0001/002

10 January 2017

**Payment and Settlement Systems Circular No. 01/2017**

To : All Participants of the LankaSettle System

**RESTRICTION OF BUSINESS HOURS OF THE LANKASETTLE SYSTEM ON 20 JANUARY 2017**

The Central Bank of Sri Lanka, having considered the restricted business hours of participating institutions of the LankaSettle System on 20 January 2017 (a declared half-holiday in lieu of Tamil Thai Pongal Day falling on Saturday, 14 January 2017), has decided to restrict business hours of the LankaSettle System on 20 January 2017 from 0800 hrs. to 1500 hrs. Accordingly, the events after 12.00 noon of the Operating Schedule of the LankaSettle System for 20 January 2017 will be revised as follows:

EVENT	REVISED TIME
OMO-Repo (Auction) Settlement	1245 hrs.
MLNS- Adjustment Clearing and Settlement Clearing	1400 hrs.
Cut-off time for third party transactions	1415 hrs.
MLNS-SLIPS (Session 2), CAS (Session 2) and CEFTS (Session 2)	1415 hrs.
SDF settlement	1430 hrs.
ILF Reversal and SLF settlement	1445 hrs.
Close for business	1500 hrs.
System shut down	1530 hrs.

D Kumaratunge

**Director / Payments and Settlements**

Ref. No. : 34/07/029/0001/002

09 January 2017

**Payment and Settlement Systems Circular No. 02/2017**

To : All Participants of the LankaSettle System

**LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE ON 26 & 27 JANUARY 2017**

This is to inform you that the Central Bank of Sri Lanka (CBSL) will conduct operations of the LankaSettle System (RTGS System and

the LankaSecure System) and other related systems from its Disaster Recovery Site (DRS) on 26 & 27 January 2017 (Thursday and Friday) for the purpose of testing the business continuity arrangements.

The PCs of your institution that have been connected to the CBSLNet have already been configured to access the CBSL DR site. However, you are requested to contact the IT Department of CBSL and test the connectivity before 26 January 2017 to ensure the readiness. The contact details of CBSL IT officials are given below.

- Mr. Lasith Fernando – 011 2477124 (e-mail: lasith@cbsl.lk)
- Mr. Rusiru Boralugoda – 011 2398617 (e-mail: rusiru@cbsl.lk)

D Kumaratunge  
Director / Payments and Settlements

Copies : CEO - LankaClear (Pvt) Ltd.  
Secretary General - Sri Lanka Banks' Association  
President - Association of Primary Dealers  
CEO - Lanka Financial Services Bureau Ltd.

Ref. No. : 34/07/029/0001/002

23 January 2017

**Payment and Settlement Systems Circular No. 04/2017**

To : All Participants of the LankaSettle System

### **LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE ON 2 & 3 FEBRUARY 2017**

We would like to inform you that live operations of the LankaSettle System from the Disaster Recovery Site is **rescheduled** to be held on **2 & 3 February 2017** instead of 26 & 27 January 2017 due to unavoidable circumstances.

Accordingly, the Central Bank of Sri Lanka (CBSL) will conduct live operations of the LankaSettle System (RTGS System and the LankaSecure System) and other related systems from its Disaster Recovery Site (DRS) on the above days for the purpose of testing the business continuity arrangements.

The PCs of your institution that have been connected to the CBSLNet have already been configured to access the CBSL DRS. However, you are requested to contact the IT Department of CBSL and test the connectivity of relevant applications before 2 February 2017 to ensure the readiness of the system. The contact details of CBSL IT officials are given below.

- Mr. Lasith Fernando – 011 2477124 (e-mail: lasith@cbsl.lk)
- Mr. Rusiru Boralugoda – 011 2398617 (e-mail: rusiru@cbsl.lk)

D Kumaratunge  
Director / Payments and Settlements

Copies : CEO - LankaClear (Pvt) Ltd.  
Secretary General - Sri Lanka Banks' Association  
President - Association of Primary Dealers  
CEO - Lanka Financial Services Bureau Ltd

Ref. No. : 34/07/029/0001/002

9 February 2017

**Payment and Settlement Systems Circular No. 05/2017**

To : All Participants of the LankaSettle System

### **RESTRICTION OF BUSINESS HOURS OF THE LANKASETTLE SYSTEM ON 17 FEBRUARY 2017**

The Central Bank of Sri Lanka, having considered the restricted business hours of the participating institutions of the LankaSettle System on 17 February 2017 (a declared half-holiday in lieu of the National Day falling on Saturday, 4 February 2017), has decided to restrict business hours of the LankaSettle System on 17 February 2017 from 0800 hrs. to 1500 hrs. Accordingly, the events after 12.00 noon of the Operating Schedule of the LankaSettle System for 17 February 2017 will be revised as follows:

EVENT	REVISED TIME
OMO-Repo (Auction) Settlement	1245 hrs.
MLNS- Adjustment Clearing and Settlement Clearing	1400 hrs.
Cut-off time for third party transactions	1415 hrs.
MLNS-SLIPS (Session 2), CAS (Session 2) and CEFTS (Session 2)	1415 hrs.

SDF settlement	1430 hrs.
ILF Reversal and SLF settlement	1445 hrs.
Close for business	1500 hrs.
System shut down	1530 hrs.

D Kumaratunge  
**Director / Payments and Settlements**

**Ref. No. : 34/07/029/0001/002**

28 April 2017

**Payment and Settlement Systems Circular No. 06/2017**

To : All Participants of the LankaSettle System

### **REQUEST FOR EXTENSIONS OF THE LANKASETTLE SYSTEM AFTER BUSINESS HOURS**

This is to draw your kind attention to our Circular No. RTGS/03/2015 dated 02 July 2015 on the above subject.

It is noted that some Participants of the LankaSettle System are still not adhering to the rules mentioned therein and requesting to extend business hours beyond the stipulated time given in the Daily Operating Schedule. We would like to inform you that if any Participating Institution requires an extension of the stipulated time limit in the event of unforeseen contingencies, a written request to the Director, PSD has to be sent by an officer of the senior management of the Participating Institution **before 4.00 p.m.** of the respective business day with appropriate details in justifying the request.

Further, a copy of the above circular is attached herewith for your easy reference.

D Kumaratunge  
**Director / Payments and Settlements**

**Attachment**

**Ref. 34/07/029/0001/002**

02 July 2015

**Circular No. RTGS/03/2015**

To : All Participants of the LankaSettle System

### **REQUEST FOR EXTENSIONS OF THE LANKASETTLE SYSTEM AFTER BUSINESS HOURS**

As you are aware, in terms of Rules 1.2 and 1.3 in the Volume 4 of the LankaSettle System Rules Version 2.1 issued in August 2013, the LankaSettle System is operated by the Central Bank of Sri Lanka (CBSL) based on a fixed business schedule. Accordingly, Participants are required to complete all transactions by 4.30 p.m. on every business day. Further, a request for an extension for an operating day could be made by a LankaSettle Participant, only in a critical circumstance.

However, it was observed that some Participants have made requests from Payments and Settlements Department (PSD) of CBSL on several occasions in the past few months to extend the closure time of the LankaSettle System, particularly just before the scheduled time for closing the System without adhering to the said System Rules. These practices have caused greater inconvenience not only to the operations of the relevant departments of CBSL but also to other LankaSettle Participants as well. The relevant departments of CBSL are compelled to keep their systems on, until said transactions are completed.

Therefore, you are hereby advised not to make requests to extend business hours of LankaSettle System beyond the stipulated time in the Daily Operating Schedule other than in the event of unforeseen contingencies. In such instances, a written request to the Director, PSD has to be sent by an officer of the senior management of the Participant Institution before 4.00 p.m. of the respective business day with appropriate details in justifying the request.

(Mrs) R A S M Dayarathna  
**Director Payments and Settlements**

(Mrs) C M D N K Seneviratne  
**Superintendent Public Debt**

Ref. No. : 34/07/029/0001/002

06 July 2017

**Payment and Settlement Systems Circular No. 07/2017**

To : All Participants of the LankaSettle System

**RESTRICTION OF BUSINESS OF PERPETUAL TREASURIES LTD (PTL) IN THE LANKASETTLE SYSTEM**

You are hereby informed that the business of PTL is restricted in the LankaSettle System with immediate effect until further notice.

Accordingly, you are required to follow the procedures given below to make Payments to PTL through the LankaSettle System during the restricted period.

- (1) RTGS related Payment Messages (only T+0) should be entered in to the LankaSettle System as usual.
- (2) Refrain from sending Securities Settlement transactions with PTL directly to the LankaSecure System. You are requested to fill details of the LankaSecure transactions (only T+0) with PTL in the Excel sheet provided by the Central Bank of Sri Lanka and the duly filled Excel sheet is required to be e-mailed to the Director, Department of Supervision of Non-Bank Financial Institutions (DSNBFI). (E-mail address of DSNBFI: dsnbfi@cbsl.lk and DD/SNBFI: hdajith@cbsl.lk)
- (3) Settlement Account of PTL in the LankaSettle System is temporarily suspended from 0800 hrs. to 1630 hrs. and all transactions with PTL will be settled from 1630 hrs. to 1645 hrs. subject to the approval of DSNBFI.
- (4) Business hours of the LankaSettle System will not be changed and requests to extend business hours shall be as indicated in section 1.3 in the Volume 4 of the LankaSettle System Rules Version 2.1 issued in 2013 (incorporating amendments up to 31 March 2013).
- (5) You may also appoint an authorized officer for this purpose and communicate name and contact details of the officer on or before 12.00 noon of 07 July 2017.
- (6) Further instructions will be issued as and when necessary.

D Kumaratunge

**Director / Payments and Settlements**

C P S Bandara

**Addl. Superintendent of Public Debt****Payment and Settlement Systems Circular No. 08/2017**

20 July 2017

To : The Chief Executive Officers of Licensed Banks and Licensed Finance Companies

**MAXIMUM LIMITS ON TRANSACTION VALUE AND FEES OF COMMON ELECTRONIC FUND TRANSFER SWITCH**

This Circular is issued in terms of Section 44 of the Payment and Settlement Systems Act, No. 28 of 2005 (Act) read with Section 4 of the Act to promote and facilitate the Common Electronic Fund Transfer Switch (CEFTS) through greater customer participation.

2. All members of CEFTS shall adhere to the following maximum limits on transactions initiated by own customers through CEFTS.
  - 2.1 The maximum value of fund transfers effected through all transaction codes except the transaction code "58" shall not exceed Rs. 5 million per transaction. The maximum value of a fund transfer effected to Sri Lanka Customs through the transaction code "58" shall not exceed Rs. 20 billion.
  - 2.2 The maximum fee charged on a transaction shall not exceed:
    - (a) Rs. 50 per transaction in respect of fund transfers effected through
      - i. Internet Banking;
      - ii. Mobile Banking; and
      - iii. ATMs of respective member of CEFTS.
    - (b) Rs. 100 per transaction in respect of fund transfers effected Over-the-Counter.
    - (c) Rs. 100 per transaction in respect of fund transfers effected through ATMs of other members of CEFTS.
3. This Circular shall replace the Payment and Settlement Systems Circular No. 01 of 2015 and shall come into operation with effect from 20 July 2017.

R M Jayawardena

**Additional Director / Payments and Settlements**

Ref. No. : 34/07/029/0001/002

14 September 2017

**Payment and Settlement Systems Circular No. 09/2017**

To : All Participants of LankaSettle System

**AMENDMENT TO DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM**

1. Three (03) Clearing Cycles (Sessions) will be implemented for the fund settlement of Sri Lanka Interbank Payment System (SLIPS) from **02 October 2017**. RTGS settlement times and accommodated settlement days of each Clearing Cycle (Session) will be as follows;

Clearing Cycle (Session)	RTGS Settlement Time	Accommodated Settlement Days
Cycle 1	8.30 a.m.	(T+1) to (T+14)
Cycle 2	1.00 p.m.	(T+0) to (T+14)
Cycle 3	3.00 p.m.	(T+0) to (T+14)

2. The Participants should also note that **Salary Payments** could be submitted through any Clearing Cycle mentioned above.
3. Accordingly, you are hereby informed that the table in the Clause 1.2 of Volume 4 of LankaSettle System Rules Version 2.1 – August 2013 on Daily Operating Schedule **will be amended as follows with effect from 02 October 2017**.

TIME	EVENT	ACTIVITIES / TRANSACTIONS
6.30 am	System start-up	Start-up of RTGS / SSS applications
7.30 a.m. to 8.00 a.m.	Start-of-day (SOD) processing	Update Official Prices of securities, earmarking securities for ILF
8.00 a.m.	LankaSettle System opens for business	System opens for effecting transactions
8.00 a.m.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
8.15 a.m.	Maturities/Interest payments, SOD file and maturities of CBSL Securities	Settlement of maturity proceeds/ coupon payments of securities, effecting LankaSettle charges / penalties and maturities of CBSL Securities
8.30 a.m.	Multilateral Net Settlement Batch from LankaClear	SLIPS Cycle 1/ Main Clearing of CITS
8.30 a.m.	Outright sales/ Purchases/ Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction
8.45 a.m.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
9.00 a.m.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
11.00 a.m.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF
11.45 a.m.	Long Term Reverse Repos (Auction)	Settlement of first leg of Long Term Reverse Repos under OMO
1.00 p.m.	Multilateral Net Settlement Batch from LankaClear	SLIPS Cycle 2
1.00 p.m.	Closure of Primary Auction Settlement/ Short Term CBSL Securities Auction	Settlement of securities under Primary Auction Settlement of Short Term CBSL Securities Auction
1.15 p.m.	Short Term Repos/ Reverse Repos (Auction)	Settlement of first leg of Short Term Repos / Reverse Repos under OMO
2.45 p.m.	Multilateral Net Settlement Batch from LankaClear	Settlement Clearing and Adjustment Clearing
3.00 p.m.	Multilateral Net Settlement Batch from LankaClear  Primary cut-off time for third party transactions	SLIPS Cycle 3 CAS Cycle 2 Close for new transactions (for T+0) in favour of third parties, except for bank-to-bank (MT2XX series)
3.15 p.m.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2

3.45 p.m.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 3.45p.m.
4.00 p.m.	SDF	Settlement of first leg of SDF
4.15 p.m.	SLF	Settlement of first leg of SLF
4.15 p.m.	ILF Repayment	Repayment of ILF
4.30 p.m.	Final Cut-off Time Close for business	No further inputs are accepted. With the closure of system for business, queue/ Settlement processing will cease and any transactions still in queues will be rejected by the system
4.30 p.m. to 5.00 p.m.	End of day (EOD) processing	EOD processes e.g. generate reports/ GL export (EOD) file, database maintenance for billing/ statement printing purposes
5.00 p.m.	System shut down	Commence shutting down of RTGS/ SSS application software, obtain off-line backups

4. Participants are advised to monitor their settlement accounts through browser workstations and assure to keep sufficient funds in their settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS System.

D Kumaratunge

**Director / Payments and Settlements**

Ref. No. : 34/07/029/0001/002

10 October 2017

**Payment and Settlement Systems Circular No. 10/2017**

To : All Participants of the LankaSettle System

**IMPLEMENTING MEASURES TO AVOID THE USE OF GOVERNMENT SECURITIES OF CUSTOMERS AS COLLATERAL TO OBTAIN INTRADAY LIQUIDITY FACILITY FROM THE CENTRAL BANK OF SRI LANKA**

Monetary Board of the Central Bank of Sri Lanka (CBSL) has approved amending of Section 11 of Volume 3 of LankaSettle System Rules Version 2.1 issued in August 2013 (incorporating amendments upto 31 March 2013) and Section 2 of the Agreement on Intraday Liquidity Facility.

Accordingly, Section 11 of Volume 3 of LankaSettle System Rules Version 2.1 issued in August 2013 (incorporating amendments upto 31 March 2013) and Section 2 of the Agreement on Intraday Liquidity Facility will be amended to read as follows **with effect from 17 October 2017**.

**Section 11 of Volume 3 of the LankaSettle System Rules Version 2.1**

**11. INTRADAY LIQUIDITY FACILITY**

- 11.1 The operations of the ILF are described in Rule 7 of Volume 2. The LankaSecure System facilities are used to position securities in the ILF Accounts of Participants, i.e. through the use of Repositioning Instructions. All securities to be Pledged as collateral against ILF should be transferred (repositioned) to the ILF Account from the Participant's OWN Account.
- 11.2 Participants shall not use securities sold to Customers or used for Repurchase transactions with Customers, or any other security which is not owned by the Participant for the purpose of ILF transactions with CBSL.
- 11.3 Violation of section 11.2 above shall make Participant liable to make payments to CBSL in the following manner:
- 2 per cent per day if the amount borrowed is up to Rs. 1,000 million
  - 2.5 per cent per day if the amount borrowed is above Rs. 1,000 million
- 11.4 A Participant can initiate ILF Repos itself without the operational intervention of CBSL. ILF Repo Reversals can also be done by the Participant itself, on a security - wise basis for the total quantity of a security Pledged or part of the quantity of a security Pledged or total quantity of all securities Pledged, at once. This Participant - managed ILF Repo creation facility is available to eligible Participants from 8.00 a.m. to 3.45 p.m. on Business Days.

CBSL will initiate the final ILF Repo Reversal at 4.15 pm. on each Business Day, reversing ILF Repos for all securities Pledged by all Participants.

**Section 2 of the Agreement on Intraday Liquidity Facility****2. Security for ILF**

Funds provided under the ILF by the Central Bank shall be fully secured, in the manner hereinafter set out, by eligible securities as determined for the purpose by the Central Bank from time to time in terms of the Operating Instructions on ILF (Eligible Securities).

The Participant shall not use securities that are owned by any person other than the said Participant or securities that are in anyway encumbered, as security for funds obtained under the ILF.

In the event a Participant uses a security that is owned by any person other than the said Participant or securities that are in anyway encumbered, as security to obtain funds under the ILF, such a Participant will be deemed to have violated the Section 2 of this agreement and will be liable to make a payment to Central Bank amounting to 2 per cent and 2.5 per cent per day if the amount so borrowed is up to Rs. 1,000 million and above Rs. 1,000 million, respectively.

D Kumaratunge

**Director/ Payments and Settlements**

D M Rupasinghe

**Superintendent of Public Debt**

Ref No. : 34/07/029/0001/002

24 October 2017

**Payment and Settlement Systems Circular No. 11/2017**

To : All Participants of the LankaSettle System

**LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE (DRS)  
ON 10 NOVEMBER 2017**

This is to inform you that the Central Bank of Sri Lanka (CBSL) will conduct operations of the LankaSettle System (RTGS System and the LankaSecure System) and other related systems from its DRS on **10 November 2017 (Friday)** for the purpose of testing the business continuity arrangements.

The PCs of your institution that have been connected to the CBSLNet have already been configured to access the CBSL DRS. However, you are requested to contact the IT Department of CBSL and test the connectivity before 10 November 2017 to ensure the readiness. The contact details of CBSL IT officials are given below.

- Mr. Nadeesh Priyanga - 011 2477493 (e-mail: nadeesh@cbsl.lk)
- Mr. Sachinda Karunarathna - 011 2477325 (e-mail: sachinda@cbsl.lk)

R M Jayawardena

**Actg. Director/ Payments and Settlements**

Copies : CEO - LankaClear (Pvt) Ltd.  
Secretary General - Sri Lanka Banks' Association  
President - Association of Primary Dealers  
CEO - Lanka Financial Services Bureau Ltd

Ref: 08/21/005/035/001

24 April 2017

**Bank Supervision Department and Public Debt Department**

To : All Chief Executive Officers of Licensed Commercial Banks, Licensed Specialised Banks and Primary Dealers in Government Securities

**MANDATORY REPORTING OF REPURCHASE TRANSACTIONS IN GOVERNMENT SECURITIES**

As a further measure to improve transparency and price discovery in Government securities market, arrangements have been made to introduce electronic trading and reporting of repurchase transactions in Government securities through the Bloomberg Trading Platform and publish a daily trade summary in line with the practice followed for the outright trades in Government securities.

Accordingly, all Licensed Commercial Banks, Licensed Specialised Banks and Primary Dealers in Government Securities shall comply with the following procedure in respect of repurchase transactions in Government securities commencing 26 April, 2017:

- I. Use the Bloomberg Trading Platform (Fixed Income Quotes-FIQ) available for Sri Lanka to:
  - a) Quote repurchase rates and volumes for tenures specified as overnight (O/N), one week (1W), two weeks (2W), one month (1M), two months (2M), three months (3M), four months (4M), five months (5M), six months (6M) and twelve months (12M) or other tenures in the event such tenures do not fall under above standardized tenures, and



- b) Report yield rates, tenures and volumes of all repurchase transactions carried out over-the-counter within 30 minutes of each such trade of Rs.100 million or above.
- II. In the case of repurchase transactions carried out via an intermediary, the lender of money shall report under 1(b) above using the voice affirmation ticket (VTR).
- III. In case of single side reporting of customer repurchase transactions, the dealer shall report under 1(b) above using VTR to pdebt@cbsl.lk. The dealer may indicate the client name in the notes field.

**Superintendent of Public Debt**

**Director of bank Supervision**

**Ref: 08/21/005/012/001**

24 July 2017

### **DIRECTIONS ON PRIMARY ISSUANCE OF TREASURY BONDS**

These Directions are issued under Regulation 11(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 dated 24 June 2009 made by the Minister of Finance under the Registered Stock and Securities Ordinance No.7 of 1937 and shall be in force from 27 July 2017.

Colombo

T.H.B. Sarathchandra

Date: 24 July 2017

**Superintendent of Public Debt**

1. Commencing from 27 July 2017 primary issuance of Treasury Bonds shall be in accordance with the Guidelines given in the Schedule hereto.
2. All Primary Dealers shall adhere to the applicable provisions of these Guidelines.
3. Direction on Minimum Subscriptions Levels for Treasury Bill and Bond Auctions dated 15 August 2003 bearing ref: 08/24/002/0005/003 is not applicable for the issuance of Treasury Bonds with effect from 27 July 2017.

**Schedule**

### **GUIDELINES ON PRIMARY ISSUANCE OF TREASURY BONDS**

#### **PART I. GENERAL PROVISIONS**

##### **1. Introduction**

- 1.1. These Guidelines are for the primary issuance of Treasury bonds (T-Bonds) by the Central Bank of Sri Lanka (hereinafter called and referred to as "CBSL"), acting as the agent of the Government of Sri Lanka (hereinafter called and referred to as the "Issuer") for the management of public debt.
- 1.2. The Public Debt Department (PDD) of CBSL shall carry out relevant functions of CBSL with regard to the issuance of T-bonds and shall be the contact point for inquiries relating to the issuance of T-Bonds.
- 1.3. The obligations and duties of CBSL and that of the participants eligible to participate at the primary issuance of T-Bonds (hereinafter called and referred to as "issuance") as set out in these Guidelines are aimed at providing a transparent and efficient framework for proper conduct of such issuance.
- 1.4. T-Bonds are issued in dematerialized (scripless) form and registered in the Central Depository System (CDS) and settled through the Scripless Securities Settlement System (SSSS) as per the System Rules of LankaSettle made under Section 62a of the Monetary Law Act.

#### **PART II. RESPONSIBILITIES AND DUTIES OF CBSL**

##### **2. General Responsibilities and Duties**

###### **2.1 CBSL will:**

- i. organize and facilitate the smooth conduct of the issuance;
- ii. provide equal access to all eligible participants for such issuances;
- iii. set the issuance calendar;
- iv. ensure that all bids in auctions are treated in a fair and transparent manner when allocating T-bonds; and
- v. maintain, publish and regularly update statistical data on market operations, yields/prices, volumes including a list of all T-Bonds issued showing the amounts outstanding, the issue and maturity dates, coupon rates and any other information as may be relevant for the government debt market.

**3. Organisation of the Primary Issuance**

- 3.1. T-Bonds shall be issued in Sri Lanka in the primary market as described in these Guidelines.
- 3.2. Primary Dealers (PDs) appointed by the Monetary Board (MB) of CBSL and other participants specially authorized by MB to participate at primary issuances (Auction Participants) shall offer their bids at the issuance.
- 3.3. Other interested parties, whether legal or natural persons resident in Sri Lanka or eligible non-residents, may participate indirectly in the primary market for government securities through PDs where a PD may include such customers' requests in its bids.
- 3.4. CBSL shall, with the approval of the Issuer, set the issuance amount on offer according to Item 7 of these Guidelines and with the approval of the Issuer may, change or amend such amount in the case of a particular issuance provided at least one (01) day's advance notice of any such amendments are made available to all Auction Participants.
- 3.5. Primary issuances of T-Bonds shall be settled on T+2 basis or as specified in the notice of the issuance published by CBSL.

**4. Denotation of the Issuance**

- 4.1. The International Securities Identification Number (ISIN) and the series shall be unique identifiers of government securities.

**PART III. RESPONSIBILITIES AND DUTIES OF AUCTION PARTICIPANTS****5. Responsibilities of Auction Participants**

- 5.1. Each PD shall maintain a minimum bidding requirement and minimum effective participation at auctions as specified in Item 9 of these Guidelines.
- 5.2. An Auction Participant, as applicable, shall at all times follow these Guidelines and any other terms and conditions of the issuances that may be determined and announced by CBSL.
- 5.3. An Auction Participant shall ensure that CBSL has up-to-date specimen authority signatures for T-Bonds and only the persons named in such specimen signatures shall be entitled to submit or sign auction bids either electronically or manually.
- 5.4. Auction Participants shall tender their bids at the issuance directly without sending through other Auction Participants.

**PART IV. ISSUANCE PROCESS****6. Issuance Calendar**

- 6.1. CBSL will announce on a quarterly basis its plans for issuances over the forthcoming quarter one week prior to the commencement of that quarter and will publish in CBSL website.
- 6.2. The issuance calendar contains information regarding the issuance dates, the tenures to be on offer, and the amounts offered.

**7. Announcement**

- 7.1. CBSL will publish an issuance announcement through publication in CBSL website not later than three (3) working days before the issuance of T-Bonds. The issuance announcement will be released around 1530 hrs on the announcement date. CBSL will publish the announcement in recognised media as soon as possible thereafter. However, CBSL reserves the right to make such announcement at any time in the case of exceptional circumstances due to technical and or natural disturbance.
- 7.2. The issuance announcement includes:
  - i. ISIN(s) and the series of the T-bonds being issued;
  - ii. coupon rate;
  - iii. coupon frequency;
  - iv. initial issue date;
  - v. settlement date;
  - vi. maturity date;
  - vii. accrued interest amount;
  - viii. total volume offered in face value basis; and
  - ix. Issuance opening and closing times for submitting bids as stipulated under Item 9 and Item 10 of these Guidelines.

- 7.3 CBSL has the right to issue previously issued securities (reopening) at one or multiple issuances. Such issuance will have the same ISIN, maturity dates and coupon rates stated at the initial issuance.
- 7.4 CBSL reserves the right to postpone or cancel an issuance, which should, however, only be considered in extreme circumstances. In the event of a situation where the issuer, or a significant number of Auction Participants are wholly or partially incapacitated for whatever reason, the issuance may be postponed until later on the same day, or the next available business day, in order that the issuance may still be settled on the same day as originally published. CBSL reserves the right to declare an issuance as ineffective on the basis of the received bids exhibiting unusual or highly distorted prices.

## 8. Methodology

- 8.1. Two T-bond series are offered at each monthly issuance.
- 8.2. CBSL will reserve to itself the right of accepting any portion of a bid or the whole of it and shall have the right of rejecting any or all bids without assigning any reason thereto.
- 8.3. For each issuance of a series of T-Bonds, an issue date will be specified per series. In general, the issue date for a series will be 1st of the month or 15th of the month.
- 8.4. T-bond issuance for each series advertised comprises of 3 phases. Competition based bidding at the first two phases is open for Auction Participants and issuances under Phase III is limited to PDs.
- 8.5. Settlement of T-bonds issued under Phase I, II and III shall be made on the settlement due date as specified in the issuance announcement under Item 7.
- 8.6. A description of the methodology of issuance under each phase is given below (detailed steps under each phase are discussed under Items 9-11 of these Guidelines):
  - Phase I:
    - (i) Conducting the multiple price competitive auction. At this auction CBSL determines the amount to be accepted under each series, the cut-off rate and the resultant auction Weighted Average Yield Rate (WAYR). CBSL is required to exercise all reasonable effort to accept the entire offered amount under Phase I subject to receipt of reasonable market bids at this round. Auction Participants are eligible to bid at this phase.
    - (ii) Notifying each bidder of its auction outcome under Phase I along with auction WAYR and amount available for bidding under Phase II through the issuance system.
  - Phase II: Opening of voluntary, volume based bidding for any under allocation subsequent to Phase I above. At this phase each Auction Participant could bid within the time duration specified under Item 10 of these Guidelines after the release of Phase I results. Issuance made at WAYR at this stage will be based on performance of each Auction Participant at Phase I and volume bid at Phase II. Auction Participants are eligible to bid at this phase.
  - Phase III: Issuance of the remaining volume (the difference between announced amount and aggregate allocated amount under Phase I and Phase II in each series), if any, on a mandatory basis at WAYR among PDs based on each such PD's successful participation at Phases I and II. However, this phase will not be executed unless CBSL accepts 60% of the offered amount in minimum at Phase I. Issuance under this phase will be limited to PDs.
- 8.7. Accordingly, in the event the aggregate volume of the bids accepted at Phase I falling below the amount offered, Phase II of the issuance process will be open. The issuance process may further be extended to Phase III in the event of under allocation following Phase I and II against the amount offered at the Auction.
- 8.8. Aggregate issuances to each Auction Participant under Phase II and Phase III will be released through the issuance system. In addition, after the conclusion of Phase III, CBSL will issue a Press Release announcing aggregate results of issuances under all 3 phases.
- 8.9. All payments on account of issued T-bonds must be made in full on the settlement date as specified in the issuance announcement under Item 7.
- 8.10. On the settlement date, CBSL will issue T-bonds in electronic form through LankaSecure System on DVP (delivery versus payment) basis at a time stipulated in the System Rules of LankaSettle made under Section 62a of the Monetary Law Act.

## 9. Submission and Acceptance of Bids under Phase I

- 9.1. Authorized Users of Auction Participants shall submit their bids between 0830 hrs to 1100 hrs on the auction day through the electronic bidding platform.

- 9.2. Bidders will have the flexibility to bid at par, at a premium or at a discount.
- 9.3. Bids must be in multiples of Rupees one (1) million, with a minimum bid volume of Rupees five (5) million.
- 9.4. Separate bids shall be forwarded if a bidder wishes to make bids at more than one bid price. The bid price should be quoted in rupees for each Rs. 100 up to five decimal places.
- 9.5. Multiple bids are allowed under this phase.
- 9.6. The minimum permitted total bid volume per PD under Phase I of any auction is calculated as follows:

$$\text{Minimum volume of bidding by each PD (under each ISIN)} = \frac{\text{Total Amount offered}}{\text{Number of PDs eligible to bid at Primary Auction concerned}}$$

- 9.7. Each PD is required to secure at least 50% of the Average Issuances (AI) per PD made under Phase I within each quarter, excluding issuances made to non-PD bidders. AI per PD is calculated as follows:

$$\text{AI per PD} = \frac{\text{Total issuance under phase I} - \text{issuances made to non PD Auction Participants under phase I}}{\text{Number of PDs}^*}$$

\* the maximum number of PDs that have been eligible to bid at primary auctions during the quarter concerned.

- 9.8. Authorized users of Auction Participants may place and/or, change their bids within the time window provided in Item 9.1 above. No party is allowed to make any changes to its bids once such time window expires.
- 9.9. In the case of an unavoidable technical issue hindering submission of bids pursuant to Item 9.1 above, the Auction Participant concerned shall at the earliest opportunity notify any Authorized Officer of PDD by way of telephone call or email or fax of such issue and upon acceptance by CBSL, may then within the prescribed time window, send its bids by way of email or fax to any Authorized Officer of PDD or deliver the same directly to any Authorized Officer of PDD. Bids sent via email should originate through designated email IDs of Authorized Users whereas any fax containing bids shall be signed by Authorized Users. Auction Participants may verify delivery of bids by way of email or fax with CBSL using the designated contact telephone number/s. Non-compliance with this requirement may result in relevant bids not being included in the auction.
- 9.10. In the event of acceptance of all the bids of a given price results in the total accepted bids in the auction exceeding the total to be issued under Phase I, volumes to be issued under such price will be pro-rated.
- 9.11. At the end of Phase I, around 1330 hrs of the auction day, each Auction Participant will be notified through the auction system of its bidding outcome at Phase I under each ISIN along with corresponding WAYR and amount available for bidding under Phase II.

## 10. Submission and Acceptance of Bids under Phase II

- 10.1 For a given T-bond series, if the entire amount offered at the issuance is not issued under Phase I, Phase II of the issuance process commences around 1330 hrs of the auction day following release of results through the issuance system and will remain open for one hour.
- 10.2 Under Phase II, each of the Auction Participant may offer a single bid through the issuance system up to the total volume to be issued under Phase II, for subscription at WAYR as announced under Phase I results.
- 10.3 Authorized users of Auction Participants may place and/or, change their bids within the time window provided under Item 10.1 above. No party is allowed to make any changes to its bid once prescribed time window has expired.
- 10.4 In the case of an unavoidable technical issue hindering submission of a bid pursuant to Item 10.1 above, the Auction Participant shall at the earliest opportunity notify any Authorized Officer of PDD by way of telephone call or email or fax of such issue and upon acceptance by CBSL, may then within the prescribed time window, send its bid by way of email or fax to any Authorized Officer of PDD or deliver the same directly to any Authorized Officer of PDD. Any bid sent via email should originate through designated email IDs of Authorized Users whereas any fax containing bids shall be signed by Authorized Users. Auction Participants may verify delivery of bids by way of email or fax with CBSL using the designated contact telephone number/s. Non-compliance with this requirement may result in relevant bids not being included in the auction.
- 10.5 The minimum eligible amount to be issued under Phase II for each Auction Participant is determined as follows:

$$\text{minimum eligible amount (Ei) of the Auction Participant i under Phase II} = \frac{\text{Total amount payable by Auction Participant i at Phase I}}{\text{Total amount payable at Phase I}} \times \text{Volume to be issued under Phase II}$$

$$\text{Whereas Total amount payable by Auction Participant i at Phase I} = \sum_{j=1}^n P_{ij} V_{ij}$$

$n$  = number of successful bids of Auction Participant i at Phase I,

$P_{ij}$  = bid price of the  $j^{\text{th}}$  successful bid of Auction Participant i at Phase I, and

$V_{ij}$  = Accepted bid volume of the  $j^{\text{th}}$  successful bid of Auction Participant i at Phase I.

10.6 However, the actual amount that could be issued to an Auction Participant may vary on its offered volume under Phase II and volumes offered for subscription by other Auction Participants under Phase II.

- i. If the aggregate of bids under Phase II exceeds the amount to be issued, allocation to each Auction Participant will be based on such Auction Participant's performance at the competitive auction at Phase I (weighted by each Auction Participant's total payable amount in Phase I).

**Scenario 1** - if the total volume bid by the sub-set of Active Auction Participants (an Active Auction Participant is any Auction Participant who has been issued any volume at the competitive auction in Phase I) is more than the volume available for issuance under Phase II, issuance under Phase II will be limited to Active Auction Participants only. Issuance to each such active Auction Participant through Phase II will be based on rounds of an iterative process. At Round 1, allocation to each Auction Participant will be the minimum of  $E_i$  calculated under Item 10.5 above and the volume bid under Phase II by the relevant Auction Participant. After end of allocation under Round 1, any remainder to be issued will be considered at Round 2 for further allocation under a similar iterative process executed at Round 1 considering  $E_i$  calculated under Item 10.5 and any remaining under allocated volume of the bidder under Phase II following allocation at Round 1. This process will continue until the entire amount available under Phase II is distributed among active Auction Participants. The total allocation to each active Auction Participant under Phase II will be the aggregate of issuances made at each round explained above. An example of Scenario 1 is exhibited at Annex A.

**Scenario 2** - if the total volumes bid by the sub-set of active Auction Participants is less than the volume available for issuance under Phase II above entire sub set of Active Auction Participants will be allocated the total volume bid by each Active Auction Participant. The balance unallocated volume will be issued among the rest of the Auction Participants who bid under Phase II proportionate to the volume bid by each such Auction Participant at Phase II. An example of Scenario 2 is exhibited at Annex B.

- ii. If the aggregate of bids under Phase II is less than the under allocated amount, all bids are accepted.

## 11. Mandatory Allocation under Phase III

11.1 For a given T-bond series, if the entire amount tendered at the issuance is not fully issued under Phase I and Phase II of the issuance process, Phase III is expected to execute electronically soon after the end of Phase II around 1430 hrs of the auction day, provided 60% of the offered amount in minimum is accepted at Phase I.

11.2 Issuance under Phase III will only be made to PDs.

11.3 Amounts to be issued under Phase III for each PD is determined as follows:

Mandatory issuance to  $K^{\text{th}}$  PD,  $PD_k$  is given by :

$$PD_k = \frac{M - A_k}{\sum_{i=1}^n M - A_i} \times \{\text{total announced volume for the issuance} - \text{total volume issued under Phase I \& II}\}$$

where,

$$M = \frac{\text{Total amount offered at auction} - \text{Total amount issued to Non PD Auction Participants at Phases I and II}}{\text{Total Number of PDs eligible to bid at the primary auction concerned}}$$

$A_k$  = Amount issued to  $PD_k$  at the Auction under Phases I & II above,

$n$  = Total number of PDs that secured less than  $M$  at the Competitive Auction at Phase I & II above and  $1 \leq k \leq n$

Accordingly, only those PDs who have failed to secure the average issuance volume per PD (ie.  $M$ ) at Phases I and II above are subject to mandatory issuance at Phase III above.

**12. Announcement of Issuance Results**

- 12.1 CBSL shall publish information on the aggregate issuance results through CBSL website around 1445 hrs of the auction day.
- 12.2 The published issuance results will in particular include:
- i. the total offered volume;
  - ii. the aggregate volume bid under Phase I and Phase II;
  - iii. the total volume allocated; and
  - iv. WAYR.

**13. General Administrative Arrangements**

- 13.1 The names and specimen signatures of the Authorized Users of staff of Auction Participants, their contact telephone numbers, email addresses and fax numbers shall be sent directly to CBSL.
- 13.2 The names of the Authorized Officers of staff of PDD, their contact telephone numbers, email addresses and fax numbers will be sent directly to each Auction Participant.
- 13.3 Each Auction Participant is responsible for correctness of the information contained in the bid.
- 13.4 No bid is deemed to be legally accepted unless the issuance results are announced.

**PART V. CLAIMS****14. Claims**

- 14.1 Where an Auction Participant believes of any mistake in the issuance results or any other mistake arising relating the issuance, the Auction Participant shall immediately inform CBSL.
- 14.2 Within three (3) working days of receiving notification under Item 14.1 above, CBSL shall respond to the Auction Participant in relation to the subject matter reported.
- 14.3 If the Auction Participant is not satisfied with the way in which the matter is being dealt with, it may send the Governor of CBSL a formal written complaint. CBSL shall investigate the complaint and shall inform the Auction Participant of the results of that investigation and of its conclusions within five (5) working days of receiving the complaint.
- 14.4 Any Auction Participant who is not satisfied with the solution provided by CBSL after the period specified under Item 14.3 above may submit their formal written complaints to the Issuer (Minister in charge of the subject of Finance) who may in turn request the Secretary to the Ministry of Finance for an appropriate investigation and to make recommendations for a suitable remedy.

**PART VI. DEFINITIONS****15. Definitions**

- Multiple Price Competitive Auction : An auction requiring participants to submit bids competitively whereas the bid of the lowest yield or highest price receives the allocation first and the process continues until the auction is concluded.
- Auction Participants : Primary Dealers appointed by MB and other participants specially authorized by MB to participate at the primary issuance.
- Authorized User of Auction Participant : A user who has been appointed by an Auction Participant to submit bids at primary issuances electronically or otherwise.
- Authorized Officer of PDD : A member of staff who has been authorized by the Superintendent of Public Debt to communicate with Auction Participants in relation to the receipt of auction bids.

## Annex A

Phase II  
Simulation of Allocation - Scenario 1

Total available for allocation	20%	Total Allocation in Round 3	169
Total Allocation in Round 1	18000	balance to be allocated in R-4	4513
balance to be allocated in R-2	12438	Total Allocation in Round 4	162
Total Allocation in Round 2	5562	balance to be allocated in R-5	4351
balance to be allocated in R-3	880	Total Allocation in Round 5	157
	4682	balance to be allocated in R-6	4194

## Scenario 1 : Total volume bid by the sub-set of active PDs is more than the amount avbl for allocation at the second round

PD	Minimum Eligibility for Phase II (%)	Volume Bid (Rs. Mn)	Eligible Amount 1	Allocation 1 (temp)	Allocation 1	balance Bid Volume 2	Eligible Amount 2	Allocation 2 (temp)	Allocation 2	balance Bid Volume 3	Eligible Amount 3	Allocation 3 (temp)	Allocation 3	balance Bid Volume 4	Eligible Amount 4	Allocation 4 (temp)	Allocation 4	balance Bid Volume 5	Eligible Amount 5	Allocation 5	balance Bid Volume 6	Eligible Amount 6	Allocation 6 and above	Total Allocation (Rs. Mn)	
A	30.00%	6,000	5,400.00	5,400	5,400	600	1,669	600	600	-	1,405	-	-	-	1,354	-	-	-	-	1,305	-	-	1,258	-	6,000
B	25.00%	3,200	4,500.00	3,200	3,200	-	1,391	-	-	-	1,170	-	-	-	1,128	-	-	-	-	1,088	-	-	1,049	-	3,200
C	15.00%	1,600	2,700.00	1,600	1,600	-	834	-	-	-	702	-	-	-	677	-	-	-	-	653	-	-	629	-	1,600
D	10.00%	400	1,800.00	400	400	-	556	-	-	-	468	-	-	-	451	-	-	-	-	435	-	-	419	-	400
E	5.00%	350	899.98	350	350	-	278	-	-	-	234	-	-	-	226	-	-	-	-	218	-	-	210	-	350
F	4.00%	800	720.02	720	720	80	222	80	80	-	187	-	-	-	181	-	-	-	-	174	-	-	168	-	800
G	3.00%	6,000	540.00	540	540	540	167	167	167	140	140	140	140	140	135	135	135	135	131	131	131	131	126	4,608	
H	3.00%	-	540.00	-	-	-	167	-	-	-	140	-	-	-	135	-	-	-	-	131	-	-	126	-	-
I	2.40%	80	432.00	80	80	-	133	-	-	-	112	-	-	-	108	-	-	-	-	104	-	-	101	-	80
J	0.80%	-	144.00	-	-	-	44	-	-	-	37	-	-	-	36	-	-	-	-	35	-	-	34	-	-
K	1.20%	40	216.00	40	40	-	67	-	-	-	56	-	-	-	54	-	-	-	-	52	-	-	50	-	40
L	0.60%	2,400	108.00	108	108	108	33	33	33	28	28	28	28	28	27	27	27	27	26	26	26	26	25	922	
M	0.00%	150	-	-	-	150	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150	-	-	-
N	0.00%	400	-	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400	-	-	-
O	0.00%	500	-	-	-	500	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	500	-	-	-
P	0.00%	50	-	-	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-
Q	0.00%	50	-	-	-	50	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50	-	-	-
<b>Total</b>	<b>100.00%</b>	<b>22,020</b>	<b>18,000</b>	<b>12,438</b>	<b>12,438</b>	<b>9,582</b>	<b>5,562</b>	<b>880</b>	<b>880</b>	<b>8,702</b>	<b>4,682</b>	<b>169</b>	<b>169</b>	<b>8,533</b>	<b>4,513</b>	<b>162</b>	<b>162</b>	<b>162</b>	<b>8,371</b>	<b>157</b>	<b>157</b>	<b>8,214</b>	<b>4,194</b>	<b>18,000</b>	
<b>Under Allocation</b>																									

\* Minimum eligibility of an Auction Participant for Phase II is calculated as follows: Total amount payable by the Auction Participant at Phase I / Total amount payable by all Auction Participants at Phase I.

## Annex B

## Simulation for Allocation - Scenario 2

Announced Amount (Rs. Mn)	90000	
Unsubscribed Volume at the Auction	20%	(= Rs.18000 mn)

**Scenario 2: Total volume bid by the sub-set of active PDs is less than the amount available for allocation at the second round**

PD	Minimum Eligibility for Phase II % (*)	Volume Bid (Rs. Mn)	Total Allocation (Rs. Mn)
A	30%	4,670	4,670
B	25%	3,200	3,200
C	15%	1,500	1,500
D	10%	400	400
E	5%	300	300
F	4%	750	750
G	3%	200	200
H	3%	-	-
I	2%	100	100
J	1%	-	-
K	1%	30	30
L	1%	2,300	2,300
M	0%	6,750	3,413
N	0%	900	455
O	0%	1,125	569
P	0%	113	57
Q	0%	113	57
<b>Total</b>	<b>100%</b>	<b>22,450</b>	<b>18,000</b>
<b>Under Allocation</b>			-

\* Minimum eligibility of an Auction Participant for Phase II is calculated as follows: Total amount payable by the Auction Participant at Phase I / Total amount payable by all Auction Participants at Phase I.

OPERATING INSTRUCTIONS No. RDD/CSDDL/2013/01 (A-04)

06 February 2017

To: All Participating Financial Institutions (PFIs)

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE  
COMMERCIAL SCALE DAIRY DEVELOPMENT LOAN SCHEME (CSDDL)**

All PFIs enrolled under CSDDL are hereby informed that the Operating Instructions No. RDD/CSDDL/2013/01 dated 10th May 2013, which were subsequently amended on 17th July 2014, 03rd December 2014, and 14th January 2016, are amended as follows.

These amendments shall be effective **from 6<sup>th</sup> February 2017**.

- 8. Period of Loan Repayment:** Maximum time period for loan repayments will be 6 years inclusive of a maximum grace period of 1 year, depending on the nature of the project.
- 9. Grace Period and Rescheduling:** Grace period, if required, should be determined by the PFI after consulting the borrower on the nature of the project. However, the loan repayment period should not exceed 6 years. If any requirement arises to reschedule the loan for a period exceeding 6 years, prior approval has to be obtained from CBSL.

All other terms and conditions stipulated in the Operating Instructions of the CSDDL issued earlier will remain unchanged.

Please bring the contents of this amendment circular to the notice of the relevant officers.

D.V.S. Dayawansa,  
Director/Regional Development Department



**Operating Instructions No: RDD/SWASHAKTHI /2017/01**

Regional Development Department  
 Central Bank of Sri Lanka  
 P O Box 590  
 No. 30, Janadhipathi Mawatha  
 Colombo 01.  
 09.02.2017

To : All PFIs

Dear Sir/Madam

**Operating Instructions : “SWASHAKTHI – Towards One Million Jobs”: LOAN SCHEME FOR  
THE MSME SECTOR DEVELOPMENT AND EMPLOYMENT GENERATION**

**1. Introduction**

The Central Bank of Sri Lanka (CBSL) and the Ministry of National Policies and Economic Affairs (MNP&EA) have jointly designed and introduced a Loan Scheme, named “Swashakthi” for the Micro, Small and Medium scale Enterprise (MSME) sector Development and Employment Generation, on behalf of the Government of Sri Lanka (GOSL). The main objective of the scheme is to generate employment opportunities, via providing financial support for both new entrants and existing entrepreneurs who are engaged in income generating activities in the Agriculture and Livestock, Industrial and Services sectors. Under this scheme, a special focus will be given to youth, young graduates, women, and differently able persons.

**2. Implementation of the Scheme**

This Scheme is a 100 per cent Refinance Loan Scheme, which includes both the loan component and the special grant element. The grant is provided to new entrants/ new entrepreneurs to meet the initial expenses. The scheme will be revolved up to 20 years. The Scheme will be implemented by the Regional Development Department (RDD) of the CBSL and the MNP&EA, utilizing the funds allocated by the MNP&EA. The total fund allocation will be Rs. 4,000 million. The MNP&EA has transferred Rs. 1,000 million initially and would release the balance on a phase out basis with the progress. The loans under the Scheme will be provided to the eligible Sub-borrowers through the Participating Financial Institutions (PFIs), i.e., Licensed Commercial Banks (LCBs) and Licensed Specialised Banks (LSBs) selected for the implementation of the Scheme.

**3. The Objectives of the Scheme**

The objectives of the “Swashakthi” Loan Scheme are as follows:

- 3.1 Contribute to the objective of the Government to create one million jobs through establishing over 25,000 MSME units throughout the country;
- 3.2 Improve efficiency and competitiveness of rural economy through provision of new and appropriate technology;
- 3.3 Utilize existing skills and the talents of youth and resources in the villages;
- 3.4 Develop new market platforms and linkages; and
- 3.5 Reduce regional disparity contributing to overall economic development of the country.

**4. The Scheme**

4.1. Fund Allocation: Rs. 4,000 million.

4.2. Selection of Beneficiaries: Minimum of 75 beneficiaries from each electorate.

4.3. Loan Limits: Loans can be provided to individuals or to individuals in partnerships with maximum of three partners.

- 4.3.1. a) For a new entrant/ new entrepreneur  
 Maximum loan of Rs. 200,000/- and  
 Maximum grant of Rs. 50,000/-
- b) For an existing entrepreneur  
 Maximum loan of Rs. 250,000/-

4.3.2 The Second Loan and Succeeding Loans: The second loan and succeeding loans will be granted by PFIs using their own funds, without providing refinance under the Scheme. The second loan and succeeding loans can be granted, before the full repayment of the first loan or/and second loan, if the Sub-borrower servicing the first loan or/and succeeding loans successfully. Loans to be provided by PFIs at a moderate rate of interest, based on the prevailing market rates. The cumulative amount of the second loan and succeeding loans shall be (minimum) 03 times of the first loan subject to the fund requirement of the Sub-borrower and viability of the business/project.

#### 4.4. Grant for New Entrants/New Entrepreneurs:

- 4.4.1 New entrants will be eligible to receive a grant, an amount equivalent to 25 per cent of the total loan amount approved for the project, subject to a maximum Rs.50, 000/-.
- a) Start-up grant: At the beginning of the project, an amount equivalent to 5 per cent of the loan ( i.e. of the maximum loan amount of Rs. 200,000/-), subject to a maximum of Rs.10,000/-, will be granted to meet preliminary expenses of the project. This amount will be initially provided by the PFI to the Sub-borrower and CBSL will reimburse these funds to the PFI.
  - b) The Second Segment of the Grant: An amount equivalent to 20 per cent of the loan (i.e. of the maximum loan amount of Rs. 200,000/-), subject to a maximum of Rs. 40,000/- will be granted on the completion of minimum period of 6 months of satisfactory performance of the project.

4.5. Contribution to Equity: New entrepreneurs are expected to contribute to equity, at least, equivalent to the start-up grant, in the form of cash or kind.

#### 4.6. Criteria for providing Second Segment of the Grant

- 4.6.1 The newly established enterprises are required to achieve at least one of the following targets to qualify for the second segment of the Grant.
- a) Turnover growth of at least 20 per cent per annum.
  - b) Generation of at least ONE Additional Employment.
  - c) Achieving 80 per cent of the targets of the business plan set for the first 6 months.
- 4.6.2 The eligible Sub-borrower needs to apply for the second segment of the Grant from the Small Enterprises Development Division (SED) of MNP&EA or from relevant PFI, after achieving any one of the targets as specified in para 4.6.1.
- 4.6.3 SED of MNP&EA will assess compliance of applications received by the SED for the second segment of the Grant and submit the applications to the relevant PFI with the approval.
- 4.6.4 PFIs should assess compliance of the applications received by PFIs and should forward the applications to the SED of MNP&EA to obtain the approval for the second segment of the Grant.
- 4.6.5 The PFI will initially provide the second segment of the Grant after obtaining the approval of the SED of MNP&EA to the new entrants. Subsequently, the PFIs should get it reimbursed from the Central Bank and RDD will reimburse these funds to the PFI.

#### 4.7. Target Group:

- 4.7.1. New entrants, who are capable and willing to take challenges and risk by engaging in new MSMEs should be given the priority treatment.
- 4.7.2. Youths who are willing to utilise their existing skills and talents in their own new enterprises.
- 4.7.3. Entrepreneurs who are already engaged in micro enterprises and wish to expand their businesses.
- 4.7.4. Entrepreneurs who possess new business ideas based on resources in their villages, IT based products and economic activities.
- 4.7.5. Youth, young graduates, women and differently able persons will be given the priority.

#### 4.8. Project Selection Criteria :

- 4.8.1 SED of MNP&EA and PFI will consider following criteria for identifying eligible Sub-borrowers under the Scheme.
- a) Novelty of the business idea
  - b) Entrepreneurial and technical skills of the Sub-borrower
  - c) Availability of market for output
  - d) Marketing and packaging strategies
  - e) Employment generation capacity of the venture
  - f) Appropriateness of technology
  - g) Technical and financial feasibility of the project
  - h) Green eco-friendly projects
- 4.8.2 Eligible beneficiaries will be selected based on the strength of the Business Plan.

4.8.3 All income generating activities in the Agriculture, Industries and Services of the economy are eligible. The projects/businesses indicated in Annex I will be given preference.

4.9. Security/Collateral :

- a) PFIs are encouraged to provide loans based on the viability and the strength of the project proposal.
- b) Existing fixed assets and personal guarantees would also be considered.

4.10. Rate of Interest:

- a) From MNP&EA to the CBSL- No interest will be charged.
- b) From the CBSL to PFIs - 0.5 per cent per annum.
- c) From PFI to Sub-borrower - 5.5 per cent per annum (allowing for a 5 per cent spread for the PFIs)

4.11. Refinance: The CBSL will refinance 100 per cent of the loan amount disbursed by PFI, subject to the loan limits mentioned above.

4.12. Recovery of Loan: The PFIs are responsible for the recovery of loans.

4.13. Repayment Period of the Loan and the Grace Period: Maximum of 05 year repayment period, including maximum of 1 year grace period, depending on the nature of the project.

4.14. Post Supervision, Marketing Support and Monitoring: Regional Offices (ROs) of the CBSL, SED and PFIs.

4.15. Skills Development and Market linkages : SED with the support of the other stakeholders, such as, the Ceylon Chamber of Commerce (CCC), Regional Chambers of Industries and Commerce, Department of Technical Education (DTET), Export Development Board (EDB), Industrial Development Board (IDB), National Apprenticeship and Industrial Training Authority (NAITA), National Enterprise Development Authority (NEDA), Sri Lanka Institute of Textile and Apparel (SLITA), Sri Lanka Standard Institution (SLSI), Technical and Vocational Education and Training Institute (TVETI), Vocational Training Authority (VTA), etc.

4.16. Training on Financial Literacy and Awareness: The CBSL with the other relevant stakeholders through the ROs of the CBSL and PFIs.

4.17. Area of Operation: All island.

5. **Operating Process:** The operating process to achieve the objectives of the scheme and the responsibilities of parties involved in are given in Annex II.

## 6. Participating Financial Institutions

- Bank of Ceylon
- People's Bank
- Hatton National Bank PLC
- Commercial Bank of Ceylon PLC
- Sampath Bank PLC.
- Seylan Bank PLC
- Regional Development Bank
- Sanasa Development Bank PLC
- National Development Bank PLC
- Pan Asia Banking Corporation PLC
- Union Bank of Colombo PLC
- DFCC Bank PLC
- Housing Development Finance Corporation Bank
- Cargills Bank PLC
- Sri Lanka Savings Bank
- State Mortgage and Investment Bank
- Nations Trust Bank

## 7. General Eligibility Criteria for Sub-Borrowers

The eligible Sub-borrower should,

- 7.1. be a permanent resident living in Sri Lanka;
- 7.2. not be a defaulter of any other financial institution;
- 7.3. be able to satisfy the PFI that the proposed project has a sound cash flow and a good repayment capacity;
- 7.4. be able to provide sound business plan, collateral, if any, or personal guarantee as determined by the PFI.

## 8. Duties and Responsibilities

The key duties and the responsibilities of the parties involved in this programme are as follows;

Name of the Institution	Function
Small Enterprises Development Division (SED) of the Ministry of National Policies and Economic Affairs (MNP&EA)	<ul style="list-style-type: none"> <li>(a) Issue and collect applications for loans on a district basis with the collaboration of Divisional Secretariats (DSs).</li> <li>(b) Call a meeting for applicants and make them aware of the basic design of the project and business plan preparation.</li> <li>(c) Collect and evaluate business plans.</li> <li>(d) Submit applications of eligible beneficiaries received by the SED directly to the relevant PFIs with approval for the grant and recommendation for the sub-loan as the case may be and approve the grant for the applications of new entrants submitted by the PFIs.</li> <li>(e) Monitor performance of projects continuously to ensure their progress.</li> <li>(f) Facilitate for market linkages.</li> <li>(g) Conduct awareness and training programmes with the assistance of other stakeholders.</li> <li>(h) Assess the applications received by SED directly from sub-borrowers and from PFIs for the second segment of the grant and forward these applications to the relevant PFIs with approval to disburse the grant.</li> <li>(i) Appoint a Project Steering Committee consisting of representatives from MNP&amp;EA, SED and CBSL to overall monitoring of the project and convene the meeting on a need basis to assess the progress of the project.</li> <li>(j) Help PFIs in the recovery process.</li> <li>(k) Maintain a comprehensive data base on beneficiaries.</li> </ul>
Participating Financial Institutions (PFIs)	<ul style="list-style-type: none"> <li>(a) Ensure that required staff is allocated to implement the Loan Scheme.</li> <li>(b) Undertake publicity on the Loan Scheme utilizing the media products procured by the CBSL or media products developed by the PFIs from their own funds.</li> <li>(c) Issue and collect applications for loans at branch level. The format of the Loan Application and the Business Plan to be issued to applicants are given in Annex III and Annex IV respectively.</li> <li>(d) Receive applications of eligible beneficiaries from SED.</li> <li>(e) Evaluate the viability of the business plan before sending to CBSL for registration. Applications of new entrants for the Grant, should be forwarded to SED for approval.</li> <li>(f) Prepare Registration Applications               <ul style="list-style-type: none"> <li>(i) for sub-loans and grants (Start-up Grant and the Second Segment of the Grant) in respect of each eligible Applicant (New Entrants) as in Annex V (A) and,</li> <li>(ii) for sub-loan in respect of each eligible Applicants (Applicants other than New Entrants) as in Annex V(B) in duplicate and attach with a copy of the Business Plan to each copy and send the duly completed Registration Application along with the SED's approval through the Head Office to the following address for registration.                   <p style="margin-left: 40px;">The Director Regional Development Department The Central Bank of Sri Lanka No.30, Janadhipathi Mawatha, Colombo 01.</p> </li> </ul> </li> <li>(One copy of Annex V(A) and Annex V(B) will be sent to SED by the CBSL for maintaining a data base.)</li> <li>(g) Disburse sub-loan and/or Start-up grant to eligible applicants, after RDD confirmed the registration of the loan or the loan and grant.</li> <li>(h) Indicate the Enquiry Number assigned by the RDD in respect of each loan applicant when correspond with RDD regarding refinance/reimbursement and on ledger sheets for the purpose of identification of the loan.</li> <li>(h) Submit reimbursement applications for claims of Start-up Grant to RDD along with the SED's approval through the Head Office of the PFI within 30 days of the disbursement of Start-up Grants. The reimbursement application for Start-up Grants should be accompanied by the following documents.               <ul style="list-style-type: none"> <li>a. Application for Start-up Grant (Annex VI (A))</li> <li>b. Application for Start-up Grant – Statement of Start-up Grant Disbursements (Annex VI (AA))</li> </ul> </li> </ul>

<p><b>Regional Development Department of the CBSL, on behalf of the Government of Sri Lanka</b></p>	<ul style="list-style-type: none"> <li>(j) Submit refinance applications for sub-loans to RDD through the Head Office of the PFI within 30 days of the disbursement of loans. The refinance application for sub loans should be accompanied by the following documents, <ul style="list-style-type: none"> <li>a. Application for Refinance (a): sub-loans (Annex VII)</li> <li>b. Application for Refinance (b): sub-loans - Statement of Loan Disbursements (Annex VIII)</li> <li>c. Demand Promissory Note (Annex IX) (with relevant stamp duty)</li> <li>d. Delivery Letter (Annex X)</li> <li>e. Form of Assignment (Annex XI)</li> <li>f. Disbursement Letter (Annex XII)</li> </ul> </li> <li>(k) Submit the reimbursement application for start-up grant claims for projects of new entrants and the refinance application for sub-loans for same together in one set of applications.</li> <li>(l) Conduct awareness and training programmes with the assistance of other stakeholders.</li> <li>(m) Undertake periodic inspections of the projects financed by the PFI branches to ascertain that the Sub-borrowers are engaged in the activities for which the loans are granted.</li> <li>(n) Receive applications from Sub-borrowers and from SED for the second segment of the grant.</li> <li>(o) Submit reimbursement applications for claims of second segment of grant to RDD along with the SED's approval through the Head Office of the PFI within 30 days of the disbursement of second segment of grant. The reimbursement application for second segment of grant should be accompanied by the following documents. <ul style="list-style-type: none"> <li>a. Application for Second Segment of Grant (Annex VI (B))</li> <li>b. Application for Start-up Grant – Statement of Second Segment of Grant Disbursement (Annex VI (BB))</li> </ul> </li> <li>(p) Monitor performance of projects continuously to ensure their progress.</li> <li>(q) Take all possible measures including the frequent visits, sending reminders to Sub-borrowers to recover the loan.</li> <li>(r) Facilitate for market linkages.</li> <li>(s) Maintain separate ledger by each branch of the PFI in respect of loans granted under the Scheme.</li> <li>(t) Maintain records and a separate data base for refinance operations and disbursement of grants.</li> <li>(u) Repay the principal of the refinance loan provided to the PFIs and the CBSL margin of 0.5 per cent per annum to the CBSL semi-annually i.e. 30th June and 31st December of each year.</li> <li>(a) Undertake a media campaign for the launching of the Loan Scheme.</li> <li>(b) Issue Operating Instructions and amendments to PFIs as and when necessary.</li> <li>(c) Register the details of the applicants approved by PFIs.</li> <li>(d) Allocate a designated Enquiry Number to every registered loan applicant and notify it to the Head Office of the relevant PFI.</li> <li>(e) Release refinance for the loan/ reimburse the grant on the first-come; first-served basis, upon arrival of the refinance application/reimbursement application and inform the particulars of the release of refinance/reimbursement of grant to the respective Head Office of the PFIs.</li> <li>(f) Ensure that refinance loan is disbursed/the grant is reimbursed within 30 days of the receipt of the completed refinance application/reimbursement application.</li> <li>(g) Submit a copy of the registration application to the SED on a monthly basis.</li> <li>(h) Report on the performance of the Loan Scheme and report to the MNP&amp;EA as and when necessary.</li> <li>(i) Collect recoveries of principal and the CBSL margin of 0.5 per cent per annum of the refinance loan by 30th June and 31st December of each year.</li> <li>(j) Fix credit targets for each PFI monthly, based on their performance.</li> <li>(k) Manage the fund and maintain accounts.</li> <li>(l) Prepare annual financial statements of the Loan Scheme and submit such financial statements to the Auditor General.</li> <li>(m) Furnish a certified copy of the report of the Auditor General to the MNP&amp;EA.</li> </ul>
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The CBSL reserves the right to revise the terms and conditions in respect of the Loan Scheme as and when necessary.

The Loan Scheme is effective from 08.02.2017.

Yours faithfully  
D.V.S. Dayawansa  
**Director**  
**Regional Development Department**

**Annex I**

**Operating Instructions No: RDD/ SWASHAKTHI/2017/01**

**“SWASHAKTHI- TOWARDS ONE MILLION JOBS”- LOAN SCHEME FOR MSME SECTOR DEVELOPMENT AND EMPLOYMENT GENERATION**

The businesses in the following areas will be given preference:

<b>Code</b>	<b>Agriculture Sector</b>	<b>Code</b>	<b>Industrial Sector</b>	<b>Code</b>	<b>Services Sector</b>
101.	Fruits and Vegetable Cultivation and Food Processing	201.	Welding	301.	Agricultural Product Collection Centers
102.	Land Preparation, Irrigation, Plant and Nursery Development	202.	Garments and Textiles	302.	Tourist services, Restaurants and Entertainment
103.	Organic Farming & Fertilizer	203.	Concrete Work, Paving and Interlocking	303.	Gardening and Landscaping,
104.	Animal Husbandry, and Based Products	204.	Leather and Footwear Products	304.	Beauty Culture, Pre-schools and Child Protection Centers,
105.	Fishery and Aquaculture Products	205.	Masonry, Painting and Carpentry	305.	IT, Typing, Printing, Internet and Smart Phone & Computer Repairs
106.	Pre and Post-harvest Technology	206.	Plastic and Rubber Processing	306.	Refrigeration and Air Conditioning
107.	Other	207.	Jewellery, Gem Cutting and Polishing	307.	Motor Vehicle Modifications and Repairs
		208.	Fabricated metal	308.	Computer Application Development
		209.	Electrical & Electronic Industries	309.	Electrical & Electronic Repairs
		210.	Solar Energy	310.	Retail Trade
		211.	Food and Beverages	311.	Other
		212.	Cottage Industry and Handicrafts		
		213.	Other		

**213 - Husk Based Production**

Coir processing  
Grinding Mill/Rice mill/packing and distribution of spices  
Photography  
Clay pots production  
Gold and Silver Extraction from Soil  
Cushion  
Bricks production  
Manufacturing Incense Sticks  
Salt Distribution  
Bags Production  
Ayurveda Medicines Production  
Flower Bucket Making  
Boarding Houses  
Water Purification  
Soft Toys Production  
Solid Waste Management

**311**

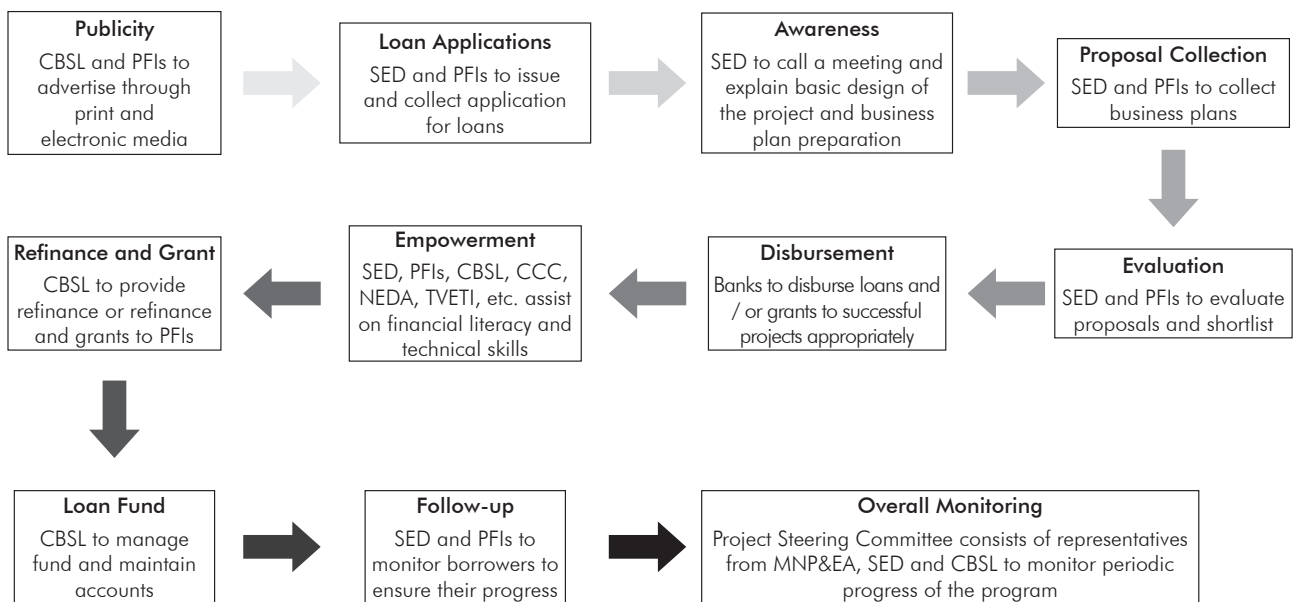
Service Station  
Renting Party Items

- Elders Caring Center
- Book Shop
- Boarding Facilities
- Fitness Center
- Renting Machineries
- Laundry Service
- 107**
- Selling Fruits
- Coconut Oil Production

Annex II

Under Operating Instructions No: RDD/SWASHAKTHI/2017/01

**“Swashakthi- Towards One Million Jobs”  
Loan Scheme for MSME Sector Development and Employment Generation  
OPERATING PROCESS AND THE RESPONSIBILITIES OF STAKEHOLDERS**



Annex V (A)

REGISTRATION NO: .....

Under Operating Instructions No: RDD/SWASHAKTHI/2017/01

**“Swashakthi- Towards one million jobs”  
Loan Scheme for MSME Sector Development and Employment Generation  
Registration Application for Sub Loan and Grant - For Projects of New Entrants**

1 PFI Name and Branch	
2 Address of the Branch	
3 Telephone/Fax No.	
4 The date at which the application received by bank branch/ SED	

5 Status of Applicant/s Individual  Partnership

6 Name and Address of Applicant/Partner

Name	Address	NIC No.	Gender	Highest Educational Qualification

7. Complete Address and Description on the Location of the Project Site

.....  
 .....

8. District: ..... 9. AGA's Division : ..... 10. Electorate: .....

11. Brief description of the Project to be financed under "SWASHAKTHI" Loan Scheme:  
 (Please attach a copy of the Business Plan) Code  (as given in Annex I)

.....  
 .....

11. Estimated Cost of the Project		
12. Borrowers' Equity Contribution		
13. Funds Required Further		
14. Amount Recommended/Approved by the SED and PFIs a Loan		
15. Amount Recommended/Approved by the SED and PFI as Grant	(i) Start-up Grant :	
	(ii) 2nd Segment of the Grant:	

I certify that the proposed project described at 10 above has been examined by me/credit officer and found that it has a sufficient cash flow for and is financially viable, and hence approved for finance under the "SWASHAKTHI" Loan Scheme.

Further, I certify that above beneficiary is eligible to receive grant and a loan under the SWASHAKTHI Loan Scheme. The approval of SED is attached.

Signature of Branch Manager  
 Rubber Stamp

Date :

Signature of the Manager,  
 .....Department of the PFI Head Office  
 Rubber Stamp

Date :

**Annex V (B)**

REGISTRATION NO: .....

**Under Operating Instructions No: RDD/ SWASHAKTHI /2017/01**

**"Swashakthi - Towards one million jobs"**  
**Loan Scheme for MSME Sector Development and Employment Generation**  
**Registration Application for Sub - Loan - For Projects of Applicants other than New Entrants**

1 PFI Name and Branch	
2 Address of the Branch	
3 Telephone/Fax No.	
4 The date at which the application received by bank branch/ SED	

5 Status of Applicant/s

Individual

Partnership



6 Name and Address of Applicant/Partner

Name	Address	NIC No.	Gender	Highest Educational Qualification

7. Complete Address and Description on the Location of the Project Site

.....  
 .....

8. District: ..... 9. AGA's Division : ..... 10. Electorate: .....

11. Brief description of the Project to be financed under "SWASHAKTHI" Loan Scheme:  
 (Please attach a copy of the Business Plan) Code  (as given in Annex I)

.....  
 .....

11. Estimated Cost of the Project	
12. Borrowers' Equity Contribution	
13. Funds Required Further	
14. Amount Recommended/Approved by PFI as a Loan	

I certify that the proposed project described at 10 above has been examined by me/credit officer and found that it has a sufficient cash flow and is financially viable, and hence approved for finance under the "SWASHAKTHI" Loan Scheme.

Further, I certify that the above beneficiary is eligible to receive a loan under the SWASHAKTHI Loan Scheme.

Signature of Branch Manager  
 Rubber Stamp

Signature of the Manager  
 .....Department of the PFI Head Office  
 Rubber Stamp

Date :

Date :

Annex VI (A)

**Application for Start-up Grant**

START-UP GRANT APPLICATION NO.:- .....

(Under Operating Instructions No.: RDD/ SWASHAKTHI/2017/01)

Address :

Date:

**"Swashakthi- Towards one million jobs"  
 Loan Scheme for MSME Sector Development and Employment Generation**

To: The Central Bank of Sri Lanka

Gentlemen

We, .....

(Name of PFI)

a licensed commercial bank/licensed specialized bank and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of Rupees .....  
 ..... (Rs.....) as start-up grant under the above Loan Scheme.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/SWASHAKTHI/2017/01 and the Subsidiary Loan Agreement under "SWASHAKTHI" Loan Scheme for MSME Sector Development and Employment Generation between the Central Bank of Sri Lanka (CBSL) and us dated ..... 2017.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement of start-up grants granted by us under the above Loan Scheme. We certify that the start-up grants mentioned in the statement have not been reflected in any previous statement in support of an application for a grant.
4. We hereby certify that we have satisfied ourselves that the start-up grants mentioned in Para (3) have been granted to new entrants under the above scheme, (ii) such start-up grants are in the specified amount as approved by the Small Enterprises Division (SED) of Ministry of National Policies and Economic Affairs (MNP&EA).
5. The approval of the Small Enterprises Division (SED) of Ministry of National Policies and Economic Affairs (MNP&EA) is attached.

Signature, Name and Designation of the  
Authorized Officer(s) of the PFI  
Manager, Refinance Unit

Annex VI (AA)

### Application for Reimbursement of: Start-up Grants

START-UP GRANT REIMBURSE APPLICATION NO. :- .....

(Under Operating Instructions No. RDD/SWASHAKTHI/2017/01)

**"Swashakthi- Towards one million jobs"**  
**Loan Scheme for MSME Sector Development and Employment Generation**  
**STATEMENT OF START-UP GRANTS DISBURSED**

TO : CENTRAL BANK OF SRI LANKA

FROM : REFINANCE UNIT: .....

PFI: ..... BRANCH: ..... DISTRICT: .....

Registration Details					Start-up Grant Details				Loan Details					
Enquiry No.	Name & Address of the Borrower	NIC No.	Loan Amount (Rs.)	Grant Amount (Rs.)		Purpose of Start-up Grant *	Amount of the Start-up Grant Paid (Rs.)	Date of Disbursement	Amount for which reimbursement is sought (Rs.)	Loan Purpose	Dis-burse Date	Disbursed Amount (Rs.)	Date of Refinance Claimed	Date of Refinance Dis-bursed
				Start-up Grant	Second Segment of the Grant									

Signature of Authorized Officer  
Date: .....

\* Indicate code referring to the Annex I of the Operating Instructions

Annex VI (B)

### Application for Second Segment of Grant

SECOND SEGMENT OF GRANT APPLICATION NO.:- .....

(Under Operating Instructions No.: RDD/SWASHAKTHI/2017/01)

Address :

Date:

**"Swashakthi- Towards one million jobs"**  
**Loan Scheme for MSME Sector Development and Employment Generation**

To: The Central Bank of Sri Lanka

Gentlemen

We, .....

(Name of PFI)

a Licensed commercial bank/licensed specialized bank and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of Rupees ..... (Rs.....) as second segments of grant under the above Loan Scheme.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/ SWASHAKTHI /2017/01 and the Subsidiary Loan Agreement under "SWASHAKTHI" Loan Scheme for MSME Sector Development and Employment Generation between the Central Bank of Sri Lanka (CBSL) and us dated ..... 2017.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement of second segments of grant granted by us under the above Loan Scheme. We certify that the second segments of grant mentioned in the statement have not been reflected in any previous statement in support of an application for a grant.
4. We hereby certify that we have satisfied ourselves that (i) the second segment of grants mentioned in Para (3) have been granted to new entrants under the above scheme, (ii) such second segment of grants are in the specified amount as approved by the Small Enterprises Division (SED) of Ministry of National Policies and Economic Affairs (MNP&EA).
5. The approval of the Small Enterprises Division (SED) of Ministry of National Policies and Economic Affairs (MNP&EA) is attached.

Signature, Name and Designation of the  
Authorized Officer(s) of the PFI  
Manager, Refinance Unit

Annex VI (BB)

**Application for Reimbursement of Second Segments of the Grant**

SECOND SEGMENT OF THE GRANT REIMBURSE APPLICATION NO. :- .....

(Under Operating Instructions No. RDD/SWASHAKTHI/2017/01)

**"Swashakthi- Towards one million jobs"  
Loan Scheme for MSME Sector Development and Employment Generation**

**STATEMENT OF SECOND SEGMENTS OF THE GRANT DISBURSED:**

TO : CENTRAL BANK OF SRI LANKA  
FROM : REFINANCE UNIT: .....  
PFI: ..... BRANCH: ..... DISTRICT: .....

Registration Details			Start-up Grant		Second Segment of the Grant					
Enquiry No.	Name & Address of the Borrower	NIC No.	Amount of Grant (Rs.)		Date of Disbursement	Amount Reimbursed by CBSL (Rs.)	Purpose of Second Segment of the Grant *	Amount of the Second Segment of the Grant Paid (Rs.)	Date of Disbursement	Amount for which reimbursement is sought (Rs.)
			Start-up Grant	Second Segment of the Grant						

Signature of Authorized Officer  
Date: .....

\* Indicate code referring to the Annex I of the Operating Instructions

Annex VII

**Application for Refinance (a) : Sub-loans**

REFINANCE APPLICATION NO.:- .....

Under Operating Instructions No. RDD/ SWASHAKTHI /2017/01

Address :  
Date:

**“Swashakthi- Towards one million jobs”  
Loan Scheme for MSME Sector Development and Employment Generation**

To: The Central Bank of Sri Lanka

Gentlemen

We, .....

(Name of PFI)

a licensed commercial bank/licensed specialized bank and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees .....  
..... (Rs.....) under the above Refinance Scheme.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/SWASHAKTHI/2017/01 and the Subsidiary Loan Agreement under “SWASHAKTHI” Loan Scheme for MSME Sector Development and Employment Generation between the Central Bank of Sri Lanka (CBSL) and us dated ..... 2017.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement of loans granted by us under the above Refinance Scheme. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby certify that we have satisfied ourselves that (i) the loans mentioned in Para (3) have been granted to eligible borrowers for eligible projects under the above scheme, (ii) such loans are within the borrowing powers of the respective borrowers and (iii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature, Name and Designation of the  
Authorized Officer(s) of the PFI  
Manager, Refinance Unit

Annex VIII

**Application for Refinance (b): Sub-loans**

REFINANCE APPLICATION NO. :- .....

(Under Operating Instructions No. RDD/ SWASHAKTHI /2017/01)

**STATEMENT OF LOANS DISBURSED:  
“Swashakthi- Towards one million jobs”**

**Loan Scheme for MSME Sector Development and Employment Generation**

TO : CENTRAL BANK OF SRI LANKA

FROM : REFINANCE UNIT: .....

PFI: ..... BRANCH: ..... DISTRICT: .....

Enquiry No.	Name & Address of the Borrower	NIC No.	Purpose of Loan *	Loan Amount	Date of disbursement	Disbursed amount for which refinance is sought		Grace Period	Repayment Schedule			
						Instalment No	Amounts Rs.		Instalments		Due Date for First Instalment	Due Date for Last Instalment
									No	Value		
<b>Total</b>												

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in bi-annual instalments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

Signature of Authorized Officer

Date: .....

\* Indicate code referring to the Annex I of the Operating Instructions

**Annex IX**

**Promissory Note**

REFINANCE APPLICATION NO. :- .....

**(Under Operating Instructions No. RDD/ SWASHAKTHI./2017/01)**

Date:

**DEMAND PROMISSORY NOTE**

**“Swashakthi - Towards one million jobs”**

**Loan Scheme for MSME Sector Development and Employment Generation**

Rs. ....

On demand, we, the undersigned .....  
 .....  
 (Name and address of the PFI)

hereby promise to pay to THE CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO the sum of Rupees ..... (Rs. ....) for value received, with interest thereon at the rate of .....% per annum from the date hereof.

.....  
 For (Name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

.....  
 (Stamp)

1. ....  
 2. ....  
 Signature of the Authorized Officer(s)

WITNESSES:

1. ....  
 2. ....

**Annex X**

**Delivery Note**

REFINANCE APPLICATION NO.

**(Under Operating Instructions No. RDD/ SWASHAKTHI /2017/01)**

Date:

**DELIVERY NOTE**

**“Swashakthi- Towards one million jobs”**

**Loan Scheme for MSME Sector Development and Employment Generation**

To: THE CENTRAL BANK OF SRI LANKA

In consideration of you agreeing to grant us a loan in the amount of Rupees ..... (Rs. ....) with the object of granting refinance to us in respect of lending operations carried out by us under the Refinance Scheme titled “SWASHAKTHI”, referred to in your Operating Instructions No. RDD/ SWASHAKTHI /2017/01 dated ..... WE HEREWITH DELIVER TO YOU OUR Promissory Note in your favour for Rupees ..... payable on demand together with interest as there in mentioned. We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.

.....  
 For (Name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

1. ....  
 2. ....  
 Signature of the Authorized Officer(s)

## Annex XI

**Form of Assignment**

REFINANCE APPLICATION NO.....

**(Under Operating Instructions No. RDD/ SWASHAKTHI /2017/01)**

Date:

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE  
MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA  
UNDER SECTION 88A OF THE MONETARY LAW ACT \***

We, .....

(Name and address of the PFI)

in terms of Section 88A of the Monetary Law Act, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debt owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of Sri Lanka of a Loan of Rupees .....

..... (Rs.....) granted to us by the Bank repayable with interest at ..... percent per annum.

**SCHEDULE**

Amount of Debt(Rs.)	Borrower's Name & Address	Date	Notary

.....  
Signature of the Authorized Officer  
For (name of PFI)  
REFINANCE UNIT  
HEAD OFFICE

\* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

## Annex XII

**DISBURSEMENT LETTER**

(To Operating Instructions No RDD/ SWASHAKTHI./2017/01)

Bank Name :

Bank Code No :

Branch Name :

Branch Code No :

Serial No. of the Loan :

Date :

Disbursement :

**"Swashakthi - Towards one million jobs"  
Loan Scheme for MSME Sector Development and Employment Generation  
STATEMENT OF LOANS DISBURSED**

Enquiry Number :

**1. Particulars of the Borrower :**

1.1 Name of the Borrower :

1.2 Address of the Borrower :

**2. Particulars of the Loan :**

2.1 Purpose of the Loan :

2.2 Location of the project:

2.3 Total amount of loan sanctioned: originally Rs.Subsequent enhancement of loan for cost overruns: Rs.

Total Rs.

- 2.4 Date of original sanction of loan :  
 Date of sanction of enhancement of loan :  
 2.5 Repayment Programme for the instalment for which refinance was applied for :  
 Date : Amount (Rs.):  
 2.6 Rate of interest:

**3. Status of Loan :**

- 3.1 Amount released previously and refinance claimed from the CBSL: Rs.  
 3.2 Amount now released and for which Refinance is sought Rs.  
 Total Rs.

I certify that the particulars given above are true and correct.

Date:

Signature of Branch Manager

Name of Branch Manager

Please indicate whether it is 1st, 2nd or any other instalment by putting a cross in the appropriate box.

**Operating Instructions No: RDD/SEPI/2016/01 (Amendment)**

Regional Development Department  
 Central Bank of Sri Lanka  
 P.O. Box 590  
 No. 30, Janadhipathi Mawatha  
 Colombo 01  
 01.03.2017

To: All PFIs

Dear Sir/Madam

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF SELF-EMPLOYMENT PROMOTION INITIATIVE  
 LOAN SCHEME PHASE II (SEPI - PHASE II)**

This is to inform you that Section 01, Section 06 and Section 10 of the Operating Instructions No. RDD/SEPI/2016/01 dated 27 April 2016, have been amended as highlighted below;

Increasing the loan amount to Rs. 390 mn:

Section 1 under the Introduction: paragraph 1, second sentence:

the words "Rupees Seventy five Million (Rs.75,000,000)" is hereby repealed and substituted by "Rupees Three Hundred and Ninety Million (Rs.390,000,000)".

Change the Eligible sub-borrowers for grant of loans:

Section 6 under Eligible sub-borrowers for grant of loans by PFIs: paragraph 1, first sentence:

the words "or any Vocational Training Course" are hereby repealed. Accordingly, the sentence is read as follows; "Eligible sub-borrowers for grant of loans by PFIs should have completed a National Vocational Qualification Programme and an Entrepreneurship Skills Development Programme under a recognized vocational training institute registered under MSDVT".

Repayment period for PFIs:

Section 10 under Loan Conditions: Repayment period for PFIs:

the words "Maximum of four (4) years" are hereby repealed and substituted by "Maximum of five (5) years".

All other terms and conditions of the said Operating Instructions of the Loan Scheme will remain unchanged.

Please bring the contents of this amendment circular to the notice of the relevant officers.

Yours faithfully  
 D V S Dayawansa  
**Director/Regional Development**

**Operating Instructions No: RDD/PCG/ 2017****26 April 2017****AGRICULTURE SECTOR MODERNIZATION PROJECT****1. Background**

The Monetary Board of the Central Bank of Sri Lanka (CBSL) at the meeting held on 20.05.2016 approved of implementation of the Partial Credit Guarantee (PCG) Scheme under the Agriculture Sector Modernization Project ('the Project') by the CBSL on behalf of the Government of Sri Lanka (GOSL).

The PCG Scheme has been introduced as an innovative risk sharing tool under 'the Project' to be financed by the International Development Association (IDA) with a view to modernizing the Agriculture Sector in Sri Lanka. The development objective of the Project is 'to support increasing agriculture productivity, efficiency, improving market access, and enhancing value addition of formal farmers, farmer groups, smallholder producer organizations, cooperatives, companies, producer associations and agribusinesses SMEs in the project areas'.

To achieve this objective, the Project will leverage investments from formal farmers, farmer groups, smallholder producer organizations, cooperatives, companies, producer associations and agribusinesses SMEs for higher value agriculture production and value addition. The Project will be supported via access to finance for such investments through Matching Grants<sup>1</sup>, technical assistance support, linkages to the commercial banking sector, and innovative risk sharing arrangements.

The Ministry of National Policies and Economic Affairs (MNPEA) is the anchor for the project. A Central Project Coordination Committee (CPCC) in the MNPEA provides overall policy oversight and guidance and project monitoring. The implementing agencies for the overall Project will be the Ministry of Primary Industries (MOPI) and the Ministry of Agriculture (MOA). The PCG Scheme will be operated by the Regional Development Department (RDD) of the CBSL, on behalf of the GOSL. The Director of the RDD is empowered with the authority to operate the PCG Scheme as the Administrator.

The main beneficiaries of this Project are formal farmers, farmer groups and smallholder producer organizations registered under the relevant government sectorial departments and agencies, cooperatives and companies registered under the Company Act, farmer producer associations registered under the relevant government sectorial departments and agencies and agri-business SMEs<sup>2</sup>, large companies registered under the Company Act, and individuals who are having creative/innovative business ideas on agricultural value chain development promoting commercial and export oriented agribusinesses and value addition.

**2. Brief Introduction of the Agriculture Sector Modernization Project**

2.1 The project includes three components namely:

- Component 1: Agriculture Value Chain Development
- Component 2: Productivity Enhancement and Diversification
- Component 3: Project Management, Monitoring and Evaluation

Component 1 will be implemented by the MOPI in line with the promoting and export oriented agriculture. Component 2 will be implemented by the MOA in support of the government's National Food Production Programme. Component 3 will support the implementation of the first two components.

2.2 The objective of Component 1 is to "promote commercial and export oriented agriculture through attracting and leveraging investments from smallholder producer organizations and agri-business enterprises for higher value agriculture production and value addition" This component will provide the enabling environment, incentives, and access to finance for such investment through matching grants, technical assistance support, linkages to the commercial banking sector, and innovative risk sharing arrangements.

2.3 The Component 1 includes the following sub-components:

- Sub-component 1.1: Investment Preparation Support
- Sub-component 1.2: Matching Grants to Producer Organizations and Agro-Businesses
- Sub-component 1.3: Partial Credit Guarantee for Agro-Business Financing

<sup>1</sup> As part of the Agriculture Sector Modernization Project, Matching Grants targeting formal farmers, farmer groups, small holder producer organizations, cooperatives, companies, producer associations and agribusinesses SMEs will be given in order to attract and leverage investments from agriculture producers. These grants would co-finance investment proposals on a cost sharing basis; as per the terms of the Project. Eligibility criteria for producers to participate in the Matching Grant Program is as per the relevant Operations Manual issued by the Ministry of Primary Industries.

<sup>2</sup> Eligibility criteria for farmer producer organizations to participate in the Matching Grants Program would include: formal registration under the Company Act, at the time of application; appointment of an accountant; a minimum equity contribution by way of cash or in kind (however, excluding land); and availability of commercial financing of up to 40 percent of the total investment at current market rates.



### 3. Objectives of the Partial Credit Guarantee (PCG) Scheme

- 3.1 The collateral requirements of banks can pose a serious challenge for farmers and agribusiness entrepreneurs when trying to source funding for business or farming. The proposed PCG Scheme targets to address the new and changing needs of intermediary financial service providers in areas such as portfolio concentration risks and the capital requirements for cushioning against lending risks to the agriculture sector. Accordingly, the PCG Scheme will focus on;
- 3.1.1 Increasing access to finance for formal farmers, farmer groups, smallholder producer organizations, cooperatives, companies, producer associations and agribusiness SMEs in the country;
  - 3.1.2 Encourage Participating Financial Institutions (PFIs) to lend to the agriculture sector, thus promoting financial inclusiveness among farming communities;
  - 3.1.3 Cover part of the default risk - a lender's risk is lowered by guaranteed secure repayment of a part of the loan in case of default; and
  - 3.1.4 Encourage longer term lending for asset acquisition where the loan term will be for several years and for larger loan amounts as compared to the currently existing guarantee schemes.

### 4. Eligibility requirement under the PCG Scheme

- 4.1 All loans given to projects benefiting from the Matching Grant Scheme under the Project are required to be registered under the PCG Scheme by the PFIs.
- 4.2 PCG is mandatory requirement under the Project.

### 5. Commencement of the PCG Scheme

- 5.1 The PCG Scheme comes into effect from the date of commencement of the Matching Grant Scheme implemented by the MOPI.

### 6. Participating Financial Institutions (PFIs)

- 6.1 If a Licensed Commercial Bank or a Licensed Specialized Bank wishes to participate in the PCG Scheme of the Project, a written request should be sent to the Director of the RDD. The bank will be registered as a PFI under the PCG Scheme, subject to standard due diligence.
- 6.2 The list of PFIs registered under the Scheme is in Annex V.

### 7. Eligibility Criteria of Beneficiaries and Purposes

- 7.1 The loans eligible to apply for PCG are those loans for economically productive purposes in the agriculture industry as specified in the Matching Grant Manual issued by MOPI. These loans will be those that are partially funded via the Matching Grant Scheme of the Project<sup>3</sup>. It is important to bear in mind that the ultimate beneficiaries of the Project are formal farmers, farmer groups and organizations registered under relevant government sectorial departments and agencies, cooperatives and companies registered under the Company Act, farmer producer associations registered under the relevant government sectorial departments and agencies and agri-business SMEs, large companies registered under the Companies Act of Sri Lanka (in processing, trading, etc.).
- 7.2 Potential Agribusiness Themes and Priorities under the Project

A wide range of new and innovative technologies and institutional arrangements in improved produce quality, processing and marketing, production of value added agriculture products, food safety promotion and improvements, business management, income generating activities, new product development and provision of service would be eligible. Accordingly, the project proposals for agribusiness and demonstration activities could include a wide range of potential project themes which are indicated in Matching Grant Manual issued by MOPI as follows.

- 7.2.1 Improvement of collection, storage and processing of agriculture products;
- 7.2.2 Improvement of grading/sorting, packaging, labeling, branding and presentation and promotion of products;
- 7.2.3 Improvement of product quality and standards, including introduction of production and processing technologies, best quality and food safety management practices/systems and product certification;

<sup>3</sup> The loans backed by the PCG Scheme could also be extended to those which are not funded by the MGS. The decision to include such loans will be made during the mid-term review (end of year 2 of effectiveness), at which point the performance of the PCG Scheme as well as the MGS will be reviewed and necessary adjustments will be made. This review will be a joint effort of MOPI, MOA, CBSL and IDA.

- 7.2.4 Marketing of agricultural products, including introduction of higher value added and niche products;
  - 7.2.5 Improvement of post-harvest handling practices/technologies and reduction of post-harvest losses;
  - 7.2.6 Development of alternative income generating opportunities and services (including agri-tourism, honey, handicraft, livestock products, organic farming, etc.)
  - 7.2.7 Introduction of best agribusiness management practices, including development of contractual arrangements between farmers/producers, processors and traders;
  - 7.2.8 Marketing intelligence including, test marketing and studies when associated with concrete actions for specific products;
  - 7.2.9 Improvement of accessibility by small farmers to various services such as input supply, veterinary and artificial insemination services, etc.
  - 7.2.10 Any other activities considered under the terms of the Matching Grant Operations Manual. The potential project themes and ideas are indicated under the Matching Grant Operations Manual.
- 7.3 Grant or Loans for investment not eligible for PCG coverage are as follows:
- 7.3.1 Regular operating expenses of the formal farmers, farmer groups, smallholder producer organizations, cooperatives, companies, producer associations and agribusinesses SMEs, large companies not directly associated with the productive investment;
  - 7.3.2 Land acquisition;
  - 7.3.3 Large Civil works, such as the construction of new buildings that are not productive assets;
  - 7.3.4 Financial participation in a firm's equity.

## 8 Responsibilities of PFIs

The PFIs are responsible for the following:

- 8.1 Request for PCGs only against those loans considered eligibility criteria of beneficiaries under Section 7 above.
- 8.2 Pay premium to the Administrator as described in Section 13.4 of the OIs of the PCG Scheme.
- 8.3 Furnish required data and information related to credit guarantee and post claims to the Administrator.
- 8.4 Remit post claim recoveries to the Administrator in the relevant formats, through the respective head offices, on or before the closing dates as specified in Section 16.
- 8.5 Keep sufficient records for possible inspections or audits by the Administrator.
- 8.6 The Administrator is expected to communicate the decision on each credit guarantee application within a month of receiving such application.
- 8.7 Perform pre-and post-supervision functions for the loans granted under this Scheme. It is an obligation of the PFIs to observe normal care and prudence in disbursing loans to the borrowers and take all reasonable steps to ensure that the loans are utilized for the purposes for which they have been granted.
- 8.8 Take all possible means and ways to recover the dues as specified in Section 11.

## 9 Responsibilities of the Administrator<sup>4</sup>

The Administrator will perform the following functions in its capacity as the implementing agency to ensure the successful implementation of the PCG scheme :

- 9.1 The Administrator is responsible for issuing of Operating Instructions (OIs) of PCG to the PFIs. OIs are subject to amendment on need basis.
- 9.2 Receive applications for loan guarantees from PFIs (Annex I), evaluate the guarantee applications to ensure the eligibility of borrowers and investments and ensure risks are within acceptable parameters.
- 9.3 Issue the guarantee cover on behalf of the GOSL, subject to the availability of funds from the GOSL under the Project.
- 9.4 Collect premium from the PFIs as described in the OIs of the Scheme.
- 9.5 Settle claims to PFIs as described in the OIs of the Scheme.
- 9.6 Carry out the monitoring and evaluation process of the Scheme and implement the necessary policy actions on behalf of the GOSL.

<sup>4</sup> The PCG will be operated by the Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL), on behalf of the Government of Sri Lanka (GOSL).

- 9.7 Reserves rights to carry out field inspections, visit PFIs and inspect the ledgers and books etc. and any other supervisory action relating to the PCG Scheme where it is deemed to be deem necessary.
- 9.8 When multiple loans are granted to a single borrower, the Administrator reserves the right to decide the maximum eligible guarantee amount.
- 9.9 The Administrator may suspend the issuing of new guarantees to a particular PFI if losses/claims exceed 20% of the value of the guarantees issued for a given PFI.
- 9.10 Where there is a change in OIs or any other information, the Administrator will communicate such changes to the head offices of PFIs.
- 9.11 Where there is evidence that the PFIs have willfully neglected to take adequate steps to ensure proper supervision, care and prudence in lending resulting in fictitious loans, mis-utilization of loans by the borrowers or where there is evidence of any misdemeanor committed by the PFI in the granting of loans, the Administrator will deny liability and where a claim has been admitted, reserves the right to recall any sums paid on a claim to a PFI.
- 9.12 In the event a PFI does not adhere to the terms under this OIs, the Administrator has the right to remove the PFI from the PCG Scheme.
- 9.13 Reserve the rights to invest all received cash component prudently.
- 9.14 The Administrator and the MOPI have the discretion to review and update the PCG Scheme, subject to the issue of no objections to the proposal by IDA. They may also allow access to the Scheme for those loans which are not subscribing to the MGS. Such decision will be communicated in writing to all PFIs via the Administrator.
- 9.15 At inception (i.e. effective date of the Financing Agreement) the implementation period of the PCG Scheme coincides with that of the Project. The Administrator together with the MOPI and the IDA may periodically review and extend the validity period of the PCG Scheme.

## 10. Defaulted Loans

- 10.1 Branch managers should classify any default from formal farmers, farmer groups, smallholder producer organizations, cooperatives, companies, producer associations and agribusiness SMEs into two categories: Willful Defaulters and Non-Willful Defaulters. The classification should be made on the basis of information available to the manager through the field officers.

### 10.1.1 Willful Defaulters

If the available information indicates that the borrower/s had the capacity to repay but has failed to settle their obligations to the PFI, they should be classified as a willful defaulter.

### 10.1.2 Non-willful Defaulters

If a borrower has experienced difficulty in meeting their obligations to the PFI due to an adverse event such as floods, drought or pests or other specific reason that is beyond the control of borrower and acceptable to the Administrator, they should be classified as 'non-willful defaulter'.

## 11. Loan Recoveries

- 11.1 The procedure for the recovery action in the case of these two categories is as follows;
  - 11.1.1 Immediate action should be taken by the PFI to recover the dues from willful defaulters through legal action. Detailed steps in recovering the dues through legal action are mentioned in section 12.
  - 11.1.2 In case of non-willful defaulters, PFIs should establish personal contacts with the borrower and offer the rescheduling facility, as mentioned in Section 15, to the borrower.
- 11.2 It is expected the PFI to take prompt and effective action for the recovery of any overdue amount in all possible ways. The Administrator expect the PFI to be active in the recovery of loans even after submission of a claim, and even after the receipt of the PCG from the Administrator. Thus, the PFI is obliged to carry out any action that may be suggested by Administrator.
- 11.3 The minimum requirements from the Administrator in this regard are as follows; When a loan is in arrears, the Branch Manager of the PFI should take immediate recovery actions with a view to persuading the borrower to pay up the loan, promptly. The actions may include the following:
  - 11.3.1 To visit the borrower (minimum of 2 visits) to ascertain that the reasons for the non-payments, and persuade the borrower to repay the dues;

- 11.3.2 To ascertain and examine the difficulties faced by the borrower and recommend to the borrower course of actions to be followed by the borrower to overcome such difficulties
- 11.3.3 Where the difficulties are bona fide and beyond the control of the borrower, reschedule the loan and design a new instalment plan according to the borrower's income pattern;
- 11.3.4 In the case of a willful defaulted borrower, issue a Notice of Demand on the borrower and the guarantors;
- 11.3.5 Where it is found that the loan proceeds have been misused, the Notice of Demand should be issued forthwith and steps should be taken immediately to institute legal action; and
- 11.3.6 Report willful defaulters to the Credit Information Bureau (CRIB)

## 12. Legal Action

- 12.1 If the PFI fails to collect the dues from defaulters even after taking the recovery actions mentioned in Section 11.3, such cases should be referred to the relevant judicial procedure as identified in Diagram 1, within 12 months from the due date of first installment in arrears.

## 13. Credit Guarantee Settlement

The Section 108A of the Monetary Law Act (Chapter 422), of the Central Bank of Sri Lanka empowers the CBSL to provide credit guarantees. Accordingly, the CBSL provides credit guarantee as a facilitation for the liquidity shortages that would arise due to the non-payment of expected loan repayment installments and hence, the PFIs should remit such credit guarantee settlement payments to the CBSL, once they recover dues from defaulters.

- 13.1 The Director, RDD has been empowered with the authority to collect premia, receive guarantee funds, invest guarantee funds if applicable under the existing standard prudential guidelines for investment of guarantee funds, pay guarantee claims and call for the recoveries after the settlement of claims etc.
- 13.2 Loans not covered under the PCG Scheme
  - 13.2.1 Any loan for which the PFI has obtained a guarantee of the Government or any government institution is not eligible for credit guarantee cover under this PCG Scheme.
  - 13.2.2 The loans for which credit guarantee premium has not been paid to the Administrator within the required time period are not eligible for obtaining facilities under this PCG Scheme.
- 13.3 Extent of Guarantee
  - 13.3.1 The Scheme provides a guarantee cover of 50 per cent of the outstanding principal amount in loss or of the amount guaranteed whichever is lower. The credit guarantee claims will be paid in a single installment upon a PFI providing evidence of reaching the trigger points (identified as T in the Diagram 1)
  - 13.3.2 The initial maximum guarantee cover is limited to a period of 5 years from the effective date of the PCG Scheme. However, the Administrator reserves the rights to extend the validity period of the guarantee scheme beyond the initial 5 years based on the performance of the Scheme in consultation with the implementing agencies of the Project.
- 13.4 Premium
  - 13.4.1 The premium is payable to the Administrator at the rate of 0.5% p.a. on the eligible loans at the time of granting it, and it should be calculated on the total loan amount eligible under the Scheme. It should be paid at the initial time of granting of the loan guarantee.
  - 13.4.2 Failure to pay the guarantee premium will negate the guarantee.
  - 13.4.3 Each loan should have a separate guarantee application.
  - 13.4.4 At each annual renewal, the premium of 0.5% p.a. is applied on the outstanding principal of the loan, given that loans under guarantee include term (multi-year) loans.
  - 13.4.5 For multi-year term loans, the payment of the guarantee will be every 12 months followed by the initial time of granting of the loan guarantee.

- 13.4.6 The fee (or premium) can be adjusted by the Administrator in consultation with the relevant stakeholders to reflect the cost of risk and the administrative costs consistent with the target of making the guarantee scheme financially viable in the longer term.
- 13.4.7 PFIs are required to pay the premium annually commencing from the date of effectiveness of the individual loan guarantees through the respective Head Office.
- 13.4.8 The Head Office of the PFI is required to forward a cheque or electronic payment for the premium payable to the Director, Regional Development Department, Central Bank of Sri Lanka.
- 13.4.9 PFIs are encouraged to consider the impact of the availability of the guarantee when setting the applicable interest rate. Each individual guarantee will become effective upon realization of the cheque or electronic payment. The Administrator will issue a separate guarantee cover note for each batch of applications submitted.
- 13.5 Claims procedure
- 13.5.1 Where any amount, as defined for the purpose of this guarantee, is in loss, the PFI should submit a claim to the Director, Regional Development Department, Central Bank of Sri Lanka, on the form prescribed for this purpose (Annex II). The RDD will send these forms to Head Offices of all PFIs at the commencement of the Scheme.
- 13.5.2 A loan under the Scheme is deemed to be in loss after completion of the following steps;
- 13.5.2.1 Where the PFI has exhausted all the means available to recover the loan such as visiting the borrower to persuade him to repay the loan, invoking the assistance of guarantors where such guarantees have been taken and upon the issue of a Demand Notice to the borrower, the loan will be deemed to be in loss. A minimum of two visits to the borrower must be undertaken before submitting a claim to the Administrator. The records of such visits must be made available to the CBSL officials during inspection of PFIs, or on request/instructions by Administrator.
- 13.5.2.2 The PFI should serve the Notice of Demand on the borrower and on guarantors, where applicable. The PFI should also report the borrower to the CRIB, and should classify the loan as a default.
- 13.5.2.3 If the PFI does not get a considerable progress from actions mentioned in above sub sections 13.5.2.1 and 13.5.2.2 the PFI is required to follow the relevant judicial procedure as identified in Diagram 1.
- 13.5.2.4 Accordingly, PFI should follow above steps and initiate appropriate legal action at the stipulated period, so that at the date of sending the credit guarantee claim the PFI has followed the applicable procedure for recovery of dues. Guarantee payment will be disbursed to the PFI that made the claim no later than 45 days after Administrator has received a valid claim request as specified in the OIs.
- 13.5.2.5 PFIs are strictly advised not to write off the loans for which credit guarantee has been paid under any circumstance, without the prior approval of the Administrator. The PFI should take all reasonable efforts to recover the loans even after the payment of credit guarantee.
- 13.5.2.6 In the case of a loan that is rescheduled and where the borrower fails to fulfill his obligations on the rescheduled loan, steps given in section 15 will have to be followed before a loan is considered to be in loss and a claim could be submitted.
- 13.5.2.7 On receipt of the claim form, the Administrator will pay 100 per cent of the Administrator's liability subject to the right of recall of the same, if it is found later that the PFI had failed to exercise necessary supervision and actions as required or PFI had recovered the dues later.

#### 14. Computation of Loss and Claim

For the purpose of computing the amount in loss, the principal outstanding amount as described in sub section 13.3.1 above is taken in to consideration.

#### 15. Rescheduling the Loans of Non-Willful Defaulters

- 15.1 In the event a PFI decides to reschedule loans granted to borrowers whose default is due to factors beyond their control, and such decision is accepted by the appointed rescheduling committee, the decision should be informed to the Administrator. The Administrator should also be informed if a particular defaulted loan qualifies for rescheduling under any specialized rescheduling program.

- 15.2 The following will apply for the rescheduling facility;
- 15.2.1 The committee responsible for determining the rescheduling should consist at least of the following officers;
- (a) Representative from the PMU/MOPI<sup>5</sup>
  - (b) Representative from the Provincial Ministry of Agriculture
  - (c) Representative/s from the PFI/s
- 15.2.2 The respective Committee referred to above should complete the rescheduling recommendation within a maximum period of two weeks from the receipt of the rescheduling request to the Committee.
- 15.2.3 The Committee should also decide if a particular loan qualifies under any special rescheduling scheme and if so decide whether the continuation of the guarantee is required further.
- 15.3 The duly completed separate applications in respect of the rescheduled loans that require further extension of the PCG should be submitted through the Head Office of the PFI concerned, to the Director, Regional Development Department, Central Bank of Sri Lanka, Colombo 1 (Annex III). The PFIs are advised to maintain copies of these applications with themselves as well.
- 15.4 The PFIs should use the standard duty and care when rescheduling the loans and where required, assist the borrowers to obtain a fresh loan for forthcoming activities considering the borrower's repayment capacity.
- 15.5 The PFI should take Demand Promissory Note from the borrower concerned, for the rescheduled loan covering the remaining life of the loan.
- 15.6 Recoveries made during the period in respect of the rescheduled loans should be reported to the Administrator. Where a borrower repays the rescheduled loan in full before the expiry of the period of 36 months, such recoveries should be reported to the Administrator.
- 15.7 PFIs are strictly advised not to submit the applications for the benefits available under the rescheduling facility without extending the benefits of rescheduled loans to the borrowers.
- 15.8 The Administrator will accept the applications for rescheduling of the loans during the last two weeks of each quarter. In the event, a PFI decides to reschedule loans granted to borrowers whose default is beyond their control, but is a non-willful defaulter, all conditions other than those specific for loans qualifying for any special rescheduling Scheme will be applicable. However, in consultation with the Administrator, the PFI may extend the loan period beyond 36 months but not more than 60 months.

## 16. Post Claim Settlement

- 16.1 All amounts recovered by PFI from borrowers, after settlement of claims by the Administrator, should be shared between the Administrator and the PFI in the proportion of 50:50. The PFI should pass on to the Administrator 50 per cent of any recoveries made after the settlement of a claim. For this purpose, the prescribed format by the Administrator should be used (Annex IV).
- 16.2 The above form should be submitted semi-annually for the time periods of January to June and July to December. Recovery proceeds should be made available to the Administrator within 30 days from 30th June and 31st December respectively, through the Head Office of the PFI.
- 16.3 Where a PFI delays remitting funds collected from the borrowers to the Administrator beyond 30 days from 30th June or 31st December during which recovery was effected, a penal rate determined by the Administrator will be applied for the duration of the delay. Where a delay has occurred, the PFI should add such penal interest amount as decided by the Administrator when making remittance.
- 16.4 The PFIs should maintain register indicating the total guarantee received from the Administrator, interest charged and the recoveries made etc. and the register must be made available to the Central Bank officials during inspections.
- 16.5 Head Office of the PFI should sum the amounts payable by each branch and submit one cheque or electronic payment made payable to RDD together with the recovery forms within 30 days' period from 30th June and 31st December each year. When there is any delay, the Head Office should add the penal interest at the rate determined by the Administrator for the duration of delay beginning from the last date for submission of cheque or electronic payment and the forms.

<sup>5</sup> Specific unit set up under the MOPI to be responsible for the management of the Agriculture Sector Modernization Project activities.

**17. Inspection**

17.1 The Administrator shall have the right to inspect books of accounts and other records of the PFI and carry out field visits pertaining to any loan guaranteed under the Scheme. The Administrator will have right to such audits up to three (3) years from the issuance of a claim by a PFI.

**18. Reporting**

18.1 The Administrator will provide bi-annual reports (every six months) to the Ministry of Primary Industries regarding the usage of guarantees (number of guarantees issued, loan values under guarantee), fees (premium) collected, investment income if available, claim payments (per vintage of loans), and any other pertinent data and information to the functioning of the guarantee scheme.

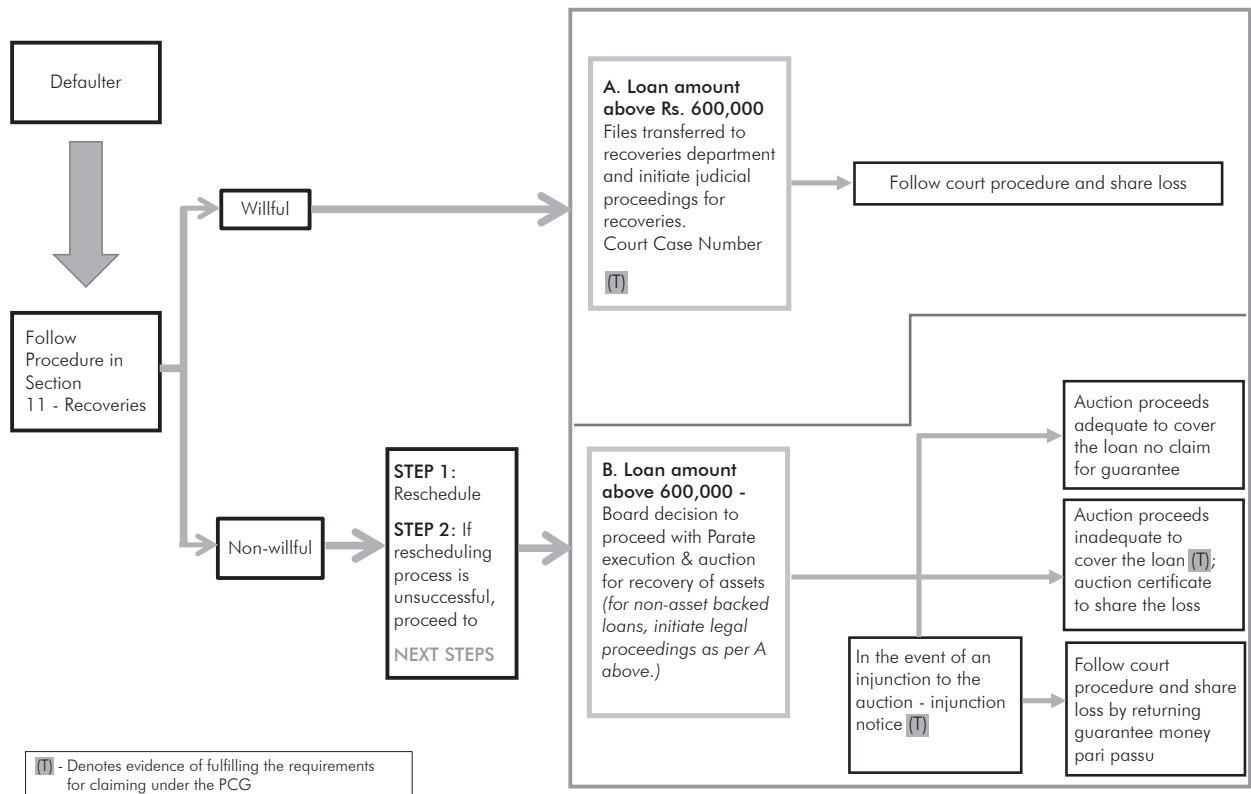
**19. Modifications and Supplementary Provisions**

19.1 The GOSL and the Administrator reserve the right to modify or withdraw the Scheme without effecting the rights or obligations arising out of any guarantees issued under the scheme prior to the date of such notification. In this respect, if any matter not specifically provided for in the Scheme, the Administrator shall make such supplementary or additional provisions as may be necessary for the purpose of this Scheme.

This Operating Instructions will be effective from the effective date of the Matching Grant Scheme.

D.V.S. Dayawansa  
**Director**  
**Regional Development Department**

**Diagram 1 - Procedure to Claim**



**Annex I**  
**RDD/PCG/AR**

**APPLICATION FOR THE REGISTRATION**  
**PARTIAL CREDIT GUARANTEE (PCG) SCHEME- AGRICULTURE SECTOR MODERNIZATION PROJECT**

Name of PFI: ..... Branch: .....

1. Borrower's / Company Name : .....  
: .....

2. Borrower's / Company Address : .....

3. Borrower's NIC No / Company Registration No : .....

4. Nature of the Project (In Brief) : .....

5. Total Loan Amount (Rs.) : .....

6. Date of Amount Released (MM/DD/YY): .....

7. Credit Guarantee Premium at 0.5 per cent (Rs.): .....

Manager's Name: ..... Signature: .....

Date: ..... Branch Stamp: .....

**Annex II**  
**RDD/PCG/AC**

**CLAIM APPLICATION FOR CREDIT GUARANTEE**  
**PARTIAL CREDIT GUARANTEE (PCG) SCHEME - AGRICULTURE SECTOR MODERNIZATION PROJECT**

Name of PFI: ..... Branch: .....

1. Borrower's / Company Name : .....  
: .....

2. Amount Granted (Rs.) .....

3. Amount Recovered (Rs.).....

4. Outstanding Loan Amount (Out of Capital Outstanding)  
as at Reporting Date (Rs.) .....

5. Name of the Court .....

6. Date on which Legal Action Taken (MM/DD/YY) .....

7. Court Case No. ....

8. Net Loss .....

Manager's Name: ..... Signature: .....

Date: ..... Branch Stamp: .....

**Annex III**  
**RDD/PCG/AR**

**APPLICATION FOR THE RESCHEDULING**  
**PARTIAL CREDIT GUARANTEE (PCG) SCHEME - AGRICULTURE SECTOR MODERNIZATION PROJECT**

Name of PFI: ..... Branch: .....

1. Borrower's / Company Name : .....  
: .....



2. Borrower's / Company Address :.....  
 3. Loan Amount Granted (Rs.).....  
 4. Rescheduled Loan Amount (Rs.) .....  
 5. Rescheduled Date (MM/DD/YY) .....  
 6. Loan Rescheduled Period (No. of Months) .....  
 Manager's Name: ..... Signature: .....  
 Date: ..... Branch Stamp: .....

**Annex IV**  
**DD/PCG/APCR**

**DETAILS OF POST CLAIM RECOVERIES**  
**PARTIAL CREDIT GUARANTEE (PCG) SCHEME- AGRICULTURE SECTOR MODERNIZATION PROJECT**

Name of PFI: ..... /Branch: .....

1. Borrower's / company Name : .....  
 : .....  
 2. Granted Loan Amount (Rs.) : .....  
 3. Amount Settled as Credit Guarantee (Rs.) : .....  
 4. Amount Recovered from the Borrower (Rs.) : .....  
 5. Amount to be Remitted to Central Bank (Rs.) : .....  
 Manager's Name: ..... Signature: .....  
 Date: ..... Branch Stamp: .....

**Annex V**  
**RDD/PCG/AR**

**LIST OF PARTICIPATING FINANCIAL INSTITUTIONS (PFIs)**

01. Bank of Ceylon
02. Cargills Bank Ltd
03. Commercial Bank of Ceylon PLC
04. DFCC Bank PLC
05. Hatton National Bank PLC
06. HDFC Bank
07. Lankaputhra Development Bank
08. Pan Asia Banking Corporation PLC
09. Peoples' s Bank
10. Pradeshiya Sanwardhana Bank
11. Sampath Bank PLC
12. Seylan Bank PLC
13. State Mortgage & Investment Bank

**Operating Instructions No: RDD/NADeP/YOUTH2016/01 (Amendment)**

11 July 2017

To: All PFIs

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF "THARUNA DIRIYA" YOUTH EMPOWERMENT & EMPLOYMENT PROJECT OPERATED UNDER NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADEP)**

As per the decision taken at the National Steering Committee of the National Agribusiness Development Programme (NADeP), the maximum borrowing amount for selected youth under specific arrangement of the "Tharuna Diriya" Youth Empowerment & Employment Project will be increased to Rs. 1 mn.

Accordingly, you are hereby informed that Section 07 of the Operating Instructions No. RDD/NADeP/YOUTH2016/01 dated August 03, 2016, have been amended as in Annex I.

The Selection Criteria for the Sub-borrowers under Rs. 150,000 – Rs. 1,000,000 category, will be informed to you by the Project Management Unit of the NADeP.

The effective date for the amended Operating Instructions is 11/07/2017.

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

D.V.S. Dayawansa,  
**Director/Regional Development Department**

**Operating Instructions No: RDD/NADeP/PEARL /2017/01**

Regional Development Department  
 Central Bank of Sri Lanka  
 P O Box 590  
 No. 30, Janadhipathi Mawatha  
 Colombo 01  
 21 July 2017

To : All PFIs

Dear Sir/Madam

**OPERATING INSTRUCTIONS -  
 “POST-DISASTER ECONOMIC RECOVERY LOAN (PEARL) SCHEME” OPERATED UNDER  
 NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADEP)**

**1. Introduction**

With the intention of supporting post-disaster recovery efforts of the businesses/small enterprises which were affected by the recent floods and droughts, the “Post-Disaster Economic Recovery Loan (PEARL) Scheme” (hereinafter called “the Loan Scheme”) is introduced under the National Agribusiness Development Programme (NADeP) (hereinafter called “the Programme”) which is implemented by the Project Management Unit (PMU) operated under the Presidential Secretariat and funded by the International Fund for Agricultural Development (IFAD). The Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) acts as the Executing Agency of the Loan Scheme.

**2. Fund Allocation**

- 2.1. As the first tranche for the implementation of the Loan Scheme, the Programme has allocated USD 3.4 mn. PMU expects to complete the disbursement of funds by the end of August 2017. The second tranche of funds will be made available by the Programme for this loan scheme by the end of September 2017.
- 2.2. The Loan Scheme will be implemented through all Participating Financial Institutions (PFIs) which participated for the previous Loan Schemes of the Programme.
- 2.3. The PFIs are required to disburse the total amount of funds allocated under the Loan Scheme by the end October 2017 as per the terms and conditions laid down in this Operating Instructions.
- 2.4. In order to achieve the disbursement targets as set in Section 2.3 above, at the beginning of the implementation of the Loan Scheme, the PMU in coordination with the RDD of the CBSL and having discussed with each PFI, will assign credit targets and make fund allocations to each PFI to disburse loans under this scheme.

**3. The Objectives of the Scheme**

- 3.1. The primary objective of the Loan Scheme is to support borrowers (individual or group of individuals) in their post-disaster recovery efforts of the businesses/small enterprises affected by recent flood and drought, by providing the fund requirements to resume their businesses or income generating activities.

**4. Areas of Operation**

The areas of operation of the Loan Scheme are given in Section 4.1 and 4.2 below.

In addition, flood and draught affected Smallholder Tea And Rubber Rehabilitation Project (STARR) project areas which will be announced by the STARR Project Office under Ministry of Plantation, will also be considered under this Loan Scheme.

#### 4.1. Areas affected by Floods

Following flood affected districts and any other area as decided by the PMU.

1. Kegalle
2. Rathnapura
3. Galle
4. Hambantota
5. Matara
6. Nuwara Eliya
7. Kalutara
8. Gampaha
9. Colombo

#### 4.2. Drought affected Areas

All island.

### 5. Basic Features of the Loan Scheme

- |   |   |   |
|---|---|---|
| 5.1. Maximum Sub-Loan Limit                         | : | Rs. 150,000/=   |
| 5.2. Eligibility                                    | : | Any business/small enterprise which have been affected by recent flood/and drought in the areas specified in Section 04 above, which is in need of funds to recommence its operations.  |
| 5.3. Refinance                                      | : | The CBSL will provide refinance for the sub-loans, up to 100 per cent of the amount disbursed by PFIs   |
| 5.4. Interest Rate                                  | : | To PFIs : 3.25 per cent per annum<br>To End-Borrowers : 6.50 per cent per annum   |
| 5.5. Collateral                                     | : | The viability of the business/small enterprise activity should be given priority. In addition, any substitute collateral such as inter-se guarantee of two other borrowers or two personal guarantors acceptable to the PFIs, can be considered as collateral under this Loan Scheme. |
| 5.6. Repayment period and Grace period of Sub-loans | : | Maximum of 12 months including 04 months grace period depending on the nature of the business/small enterprise. However, borrowers are obliged to pay interest during the grace period.   |

### 6. Eligible Beneficiaries

- 6.1. The Loan Scheme is open for any individual or group of individuals who are willing to obtain a loan to meet the fund requirement to revive their businesses/small enterprises which have been affected by recent flood/and drought in the areas given in the Section 04 above.
- 6.2. The sub-loan applicant should provide a letter from Grama Niladari, Priests etc. acceptable to the PFI, as corroborative evidence to prove that;
  - (a) the sub-loan applicant's business/small enterprise has been affected by the recent flood/drought under consideration; and
  - (b) the business/small enterprise have been in operation at the time of the said recent flood/drought under consideration.

This evidence should be confirmed by the PFI through an inspection report of the Manager or any senior officer of the PFI.

### 7. The Role and Responsibilities of PFIs

The PFIs are required to play an active role in the implementation of the Loan Scheme. The PFIs shall;

- 7.1. Ensure that required staff is allocated to implement the Loan Scheme.
- 7.2. Take full responsibility of the delivery of credit and recoveries.
- 7.3. Ensure that any branch of the PFIs shall not, in any circumstance, grant loans for the end-borrowers at any interest rate higher than the rate mentioned in 5.4, under this loan scheme.

- 7.4. Obtain confirmation regarding the damages from the sub-loan applicants, in accordance with the Section 6 above, which would be up to the satisfaction of the RDD.
- 7.5. Satisfy itself that each business/small enterprise is financially viable and contribute to the economic growth and feasible in terms of marketing.
- 7.6. Maintain Accounts and Financial Statements
  - (a) PFIs are required to maintain appropriate ledger accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
  - (b) PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
  - (c) PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD and the PMU (on behalf of IFAD). Further, the PFI should submit the Accounts and Financial Statements to RDD and the PMU as and when required.
- 7.7. Follow the registration process and refinance procedure stipulated in the Operating Instructions.

## 8. Loan Registration Process

The Loan Registration process shall be carried out as follows;

- 8.1. After evaluating the credit, the PFI should obtain completed registration form (Annex I) from each loan applicant who wish to obtain loans under this Loan Scheme.
 

Summarized details of the applicants as per the format specified in as Annex II, should be sent to the RDD through the Head Office of the PFI. The RDD will request the PFI to send original documents with regard to the loan application as and when required.
- 8.2. The RDD will register the details of the eligible applicants and allocate a designated Enquiry Number to every registered loan application and notify it to the Head Office of the relevant PFI.
- 8.3. The RDD reserves the right to refer the registration application to the PFI, in the event RDD needs any further clarification.
 

The NADeP Officials of the PMU will visit the branches and the Head Office and carry out spot examinations on the Loan Scheme, as and when necessary, upon the authorization of the Manager of the PMU.

## 9. Refinance Procedure

- 9.1. The CBSL will provide 100 per cent refinance for all loans granted under the Loan Scheme, using funds provided by the IFAD subject to the terms and conditions laid down in this Operating Instructions.
- 9.2. Duly completed applications for refinance should be submitted by the Head Office of PFIs to RDD for reimbursement after releasing the loans by their branches. However, as loan disbursements under this scheme should end at the end of October 2017, all refinance claims under this Loan Scheme should be submitted to the RDD before 15th November 2017.
- 9.3. Each refinance application should be accompanied with the following documents:
  - a) Appendix I Application for Refinance (a)
  - b) Appendix II Statement of Loans Disbursed Application for Refinance (b)
  - c) Appendix III Demand Promissory Note
  - d) Appendix IV Delivery Note
  - e) Appendix V Form of Assignment by way of Pledge to CBSL
  - f) Appendix VI Disbursement Letter
- 9.4. Refinance claims should be submitted to RDD through the Head Offices of PFIs within 1 month of the date of disbursement, subject to the deadline given in Section 9.2 above.
- 9.5. Upon approval of the refinance application, RDD will sanction the refinance application and release refinance on the first come first serve basis. Actions will be taken to provide refinance within 02 weeks of the receipt of the complete set of refinance applications.

## 10. Recovery of Loans

- 10.1. The capital and interest for the refinance provided for the PFIs will be recovered semi –annually i.e. 30th June and 31st December of each year.

10.2. Capital and interest payments on refinance loans will be payable by the PFIs to the CBSL according to the Repayment Schedule for Refinance made available by the RDD.

10.3. The PFIs shall repay the CBSL under this loan scheme in maximum 12 months.

## 11. Auditing of Accounts

11.1. RDD will prepare annual financial statements of the Loan Scheme and such financial statements will be audited by the Auditor General. A certified copy of the report of the Auditor General will be furnished to the IFAD once it is made available to the RDD.

11.2. PFIs are also required to get their financial accounts/statements of this Loan Scheme audited, as it is a requirement of IFAD.

## 12. General Conditions

The CBSL reserves the right to

12.1. revise the terms and conditions in respect of refinance scheme as and when necessary.

12.2. revoke the eligibility of any Bank to operate as a PFI under the Loan Scheme in an event of non-compliance to the Operating Instructions of the Loan Scheme, subject to penalty that the Monetary Board of the CBSL deemed appropriate.

sgd D.V.S. Dayawansa (Mrs)

**Director/Regional Development Department**

## APPENDICES

### Appendix I: Application for Refinance (a)

REFINANCE APPLICATION NO:- .....

**(Under Operating Instructions No. RDD/NADeP/PEARL/2017/01)**

Address:

Date:

### APPLICATION FOR REFINANCE - POST-DISASTER ECONOMIC ACTIVITY RECOVERY LOAN (PEARL) SCHEME UNDER NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADEP)

To: The Central Bank of Sri Lanka

Gentlemen

We, .....  
(Name of PFI)

a licensed commercial bank/licensed specialized bank and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees .....  
..... (Rs.....) under the above Refinance Scheme.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/NADeP/PEARL/2017/01 and the Subsidiary Loan Agreement under Post-Disaster Economic Activity Recovery Loan (PEARL) Scheme of National Agribusiness Development Programme (NADeP) between the Central Bank of Sri Lanka (CBSL) and us dated .....2016.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement of loans granted by us under the above Refinance Scheme. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby certify that we have satisfied ourselves that (i) the loans mentioned in Para (3) have been granted to eligible sub-borrowers for eligible projects under the above scheme, (ii) such loans are within the borrowing powers of the respective sub-borrowers and (iii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature, Name and Designation of the  
Authorized Officer(s) of the PFI  
Manager, Refinance Unit

**Appendix II: Application for Refinance (b)**

REFINANCE APPLICATION NO:- .....

(Under Operating Instructions No.RDD/NADeP/PEARL/2017/01)

**STATEMENT OF LOANS DISBURSED UNDER POST-DISASTER ECONOMIC ACTIVITY RECOVERY LOAN (PEARL)  
SCHEME OF NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADeP)**

TO : CENTRAL BANK OF SRI LANKA

FROM : REFINANCE UNIT: .....

PFI : ..... BRANCH: ..... DISTRICT: .....

Enquiry No.	Name & Address of the Borrower	NIC No.	purpose of Loan *	Sub-loan Amount		Date of disbursement	Disbursed amount for which refinance is sought		Grace Period	Repayment Schedule			
				Loan Cycle **	Amount Rs.		Instalment No	Amounts Rs.		Instalments		Due Date for First Instalment	Due Date for Last Instalment
										No	Value		
<b>Total</b>													

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in bi-annual instalments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

Signature of Authorized Officer  
Date: .....

\* Indicate categories as stated in items in Para 4 of the Operating Instructions

\*\* Indicate as 1st loan, 2nd loan, 3rd loan etc.

**Appendix III: Promissory Note**

REFINANCE APPLICATION NO:-.....

(Under Operating Instructions No. RDD/NADeP/PEARL/2017/01)

Date:

**DEMAND PROMISSORY NOTE**

Rs. ....

On demand, we, the undersigned .....

(Name and address of the PFI))

hereby promise to pay to THE CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO the sum of Rupees ..... (Rs. ....) for value received, with interest thereon at the rate of .....% per annum from the date hereof.

.....  
For (Name of PFI)  
REFINANCE UNIT  
HEAD OFFICE

.....  
(Stamp)

1. ....  
2. ....

Signature of the Authorized Officer(s)

WITNESSES:

1. ....  
2. ....

**Appendix IV: Delivery Note**

REFINANCE APPLICATION NO. :- .....  
 (Under Operating Instructions No. RDD/NADeP/PEARL/2017/01)

Date :

**DELIVERY NOTE**

To: The Central Bank Of Sri Lanka

In consideration of you agreeing to grant us a loan in the amount of Rupees ..... (Rs.....) with the object of granting refinance to us in respect of lending operations carried out by us under the Refinance Scheme titled Post-Disaster Economic Activity Recovery Loan (PEARL) Scheme under National Agribusiness Development Programme (NADeP), referred to in your Operating Instructions No. RDD/NADeP/PEARL/2017/01 dated ..... WE HEREWITH DELIVER TO YOU OUR Promissory Note in your favour for Rupees ..... (Rs.....)payable on demand together with interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note

For (name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

1.....  
 2.....  
 Signature of the Authorized Officer(s)

**Appendix V: Form of Assignment**

REFINANCE APPLICATION NO:- .....  
 (Under Operating Instructions No. RDD/NADeP/PEARL/2017/01)

Date :

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA UNDER SECTION 88A OF THE MONETARY LAW ACT \***

We, .....  
 .....  
 (Name and address of the PFI)

in terms of Section 88A of the Monetary Law Act, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debt owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of Sri Lanka of a Loan of Rupees .....(Rs.....) granted to us by the Bank repayable with interest at ..... percent per annum.

**SCHEDULE**

Amount of Debt(Rs.)	Borrower's Name & Address	Date	Notary

.....  
 Signature of the Authorized Officer  
 For (name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

\* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

**Operating Instructions No: RDD/NADeP/YOUTH2016/01 (Amendment)**

02 August 2017

To: All PFIs

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF "THARUNA DIRIYA" YOUTH EMPOWERMENT & EMPLOYMENT PROJECT OPERATED UNDER NATIONAL AGRIBUSINESS DEVELOPMENT PROGRAMME (NADEP)**

This refers to the Operating Instructions No. RDD/NADeP/YOUTH2016/01 dated 03.08.2016 and subsequent amendment dated 11.07.2017.

You are hereby informed that Section 7.2 (c) of the above Operating Instructions has been amended as follows.

**7.2 Main Features of the Loans to be granted up to a maximum loan limit of Rs. 1,000,000**

c. The maximum repayment period will be 48 months with a grace period of 6 months.

**All other terms and conditions of the Loan Scheme will remain unchanged.**

The effective date for the amended Operating Instructions is 21/07/2017.

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

D.V.S. Dayawansa,  
**Director/Regional Development Department**

**Operating Instructions No: RDD/READ/ 2017/01**

Regional Development Department  
Central Bank of Sri Lanka  
P O Box 590  
No. 30, Janadhipathi Mawatha  
Colombo 01  
07 September 2017

To : All PFIs

Dear Sir/Madam

**OPERATING INSTRUCTIONS – "ATHWELA" LOAN SCHEME FOR RESUMPTION OF ECONOMIC ACTIVITIES AFFECTED BY DISASTERS(READ)****1. Introduction**

The Central Bank of Sri Lanka (CBSL), on behalf of the Government of Sri Lanka (GOSL), has introduced the "Athwela" Loan Scheme for Resumption of Economic Activities affected by Disasters (READ), considering the devastating effects and identifying the need of minimizing the economic and social impact of disasters occurred in Sri Lanka. The main purpose of this Scheme is to provide financial facilities to eligible sub-borrowers to resume any economic activity affected by any disaster as informed by the GOSL. For this purpose, the CBSL will establish a Fund in the Regional Development Department (RDD) of the CBSL with the initial funds provided by the GOSL. This will operate as a refinance loan scheme.

Loans under the Scheme will be provided to eligible sub-borrowers through the Participatory Financial Institutions (PFIs) i.e. Licensed Commercial Banks (LCBs) and Licensed Specialized Banks (LSBs), which are willing to participate in the Scheme and sign subsidiary loan agreement with the CBSL.

Accordingly, the Director of the Regional Development Department (DRD) issues guideline to PFIs informing the Disaster recognized and informed to the CBSL by the GOSL, to provide financial facilities under the Scheme.

**2. The Objective of the Loan Scheme**

The main objective of the Loan Scheme is to provide credit facilities at concessionary terms and conditions to resume economic activities affected by disasters.

**3. Eligible Disasters and Sub-borrowers**

Loans under the Scheme will be provided to resume any economic activity affected by a disaster which has been recognized and informed by the GOSL, with the special focus on the self-employed and small-scale businessmen.

**4. Funding**

Funds for disbursement of refinance under the Loan scheme will be provided initially by GOSL.

**5. Overall Management of the Loan Scheme**

The RDD of the CBSL will be responsible for implementation of the Loan Scheme.



## 6. Basic Features of the Loan Scheme

- |  |   |   |
|--|---|---|
| 6.1 Total Fund Allocation              | : | Rs. 2,000 million by the GOSL<br>The recoveries of loans will be revolved up to 20 years.   |
| 6.2 Sub-Loan Limit                     | : | The estimated restarting cost of resumption or restoration of the economic activity, net of the insurance claims received or receivable, Subject to a maximum limit of Rs. 500,000.   |
| 6.3 Refinance                          | : | The CBSL will refinance 100 per cent of the sub-loan amount disbursed by PFIs.  |
| 6.4 Eligible Economic Activities       | : | For the purpose of the Loan Scheme, any economic activity falling under the categories of Agriculture; Plantation; Livestock and Fisheries; Services including Trade, Business, Profession or Vocation; and any other economic activity considered as eligible by the RDD, with special focus on Self-Employed and Small Scale businessmen. |
| 6.5 Interest Rate on Refinance to PFIs | : | No refinance interest will be charged   |
| 6.6 Interest Rate for End-Borrowers    | : | 2 per cent per annum  |
| 6.7 Collateral                         | : | The viability of the economic activity should be given priority. In addition, any collateral acceptable to PFIs, depending on the nature of the economic activity.  |
| 6.8 Grace Period                       | : | Maximum of 6 months commencing from the date of disbursement of the last installment of the loan, depending the nature of the economic activity.  |
| 6.9 Repayment period of Sub-loans      |   | Maximum of 3 years including grace period, depending on the nature of the economic activity.  |
| 6.10 Areas of Operation                |   | Areas announced as affected by the Disaster which has been identified and informed by the GOSL.   |

## 7. General Eligibility Conditions for Sub-borrowers

The eligible sub-borrower should;

- 7.1. be a permanent resident living in Sri Lanka
- 7.2. not be a defaulter of any other financial institution
- 7.3. be able to satisfy the PFI that the proposed project has a sound cash flow and a good repayment capacity
- 7.4. be able to provide sound business plan, collateral, if any, or personal guarantee as determined by the PFI
- 7.5. be able to provide corroborative evidence regarding the damages caused by the disaster as mentioned in the Para 8 below

## 8. Corroborative Evidence to be submitted by the Sub-borrowers

The sub-loan applicant should provide corroborative evidence acceptable to the PFI and RDD from Grama Niladhari and Divisional Secretary etc. to effect that;

- 8.1 his / her economic activity has been affected by the disaster under consideration; and
- 8.2 the enterprise and the business have been in operation at the time of the said disaster.

## 9. Role of the RDD of the CBSL

- 9.1 Issue Operating Instructions and amendments to PFIs as and when necessary.
- 9.2 Register the loans of the applicants recommended by PFIs.
- 9.3 Allocate a designated Enquiry Number to every loan registered and notify it to the Head Office of the relevant PFI.
- 9.4 Release refinance for the sub-loan on the first-come; first-served basis, upon the receipt of the duly completed refinance application and inform the particulars of the release of refinance to the respective Head Office of the PFIs.  
Every effort will be taken to disburse refinance within 03 weeks of the receipt of the duly completed refinance application.
- 9.5 Report on the performance of the Loan Scheme to the GOSL as and when necessary.
- 9.6 Fix and inform credit targets for each PFI monthly or on a need basis, depending on their performance.
- 9.7 Manage the Fund received from the GOSL and the Revolving Funds of the Loan Scheme and maintain accounts.
- 9.8 Monitor and evaluate the performance of the PFIs.
- 9.9 Organize training programmes to educate the staff of branches designated by the PFIs.

## 10. The Role and Responsibilities of PFIs

The PFIs are required to play an active role in the implementation of the Loan Scheme. The PFIs shall;

- 10.1. Nominate a senior officer within the Head Office to monitor and supervise loan operations of branch offices and co-ordinate with the RDD of CBSL.
- 10.2. Designate an appropriate number of branches for granting of sub-loans, in consultation with the CBSL and ensure that required staff is allocated to implement the Loan Scheme, throughout the branch network.
- 10.3. Ensure the availability of adequate field officers for the designated branches for inspection of damages, supervision on the progress on the utilization of the loan and recovery of sub-loans.
- 10.4. Prepare detailed guidelines for Branch Managers on identification of borrowers, loan processing, disbursement of loans, supervision and follow up and recovery of loans within the stipulated period.
- 10.5. Make branch staff aware on the implementation of the Loan Scheme.
- 10.6. Ensure regular spot inspections to review the physical progress of the economic activity before disbursement of each loan installment.
- 10.7. Ensure that the designated branches submit regular reports on the implementation, progress and recovery performance to the CBSL, through the Head Office. The Head Office of the PFI should consolidate such data and submit to the RDD of CBSL, on quarterly basis.
- 10.8. Promote the loan scheme through meetings or discussions, or any other suitable ways, with the prospective sub-borrowers.
- 10.9. Take full responsibility of the delivery of credit and recoveries.
- 10.10. Issue and collect applications for loans at branch level.
- 10.11. Obtain confirmation regarding the damages from the sub-loan applicants, in accordance with the Para 8 above, which would be upto the satisfaction of the DRD of the CBSL.

In addition, the Manager of the PFI Branch, or a Senior Officer of the Branch should visit the site of the damaged business to satisfy the eligibility of the economic activity.

- 10.12. Prepare Registration Applications for sub-loans in respect of each eligible applicants as in Annex I, attach a copy of the confirmation regarding the damages from the sub-loan applicants, in accordance with the Para 8 above and send the duly completed Registration Application through the Head Office of the PFIs to the following address for registration.

The Director  
Regional Development Department  
The Central Bank of Sri Lanka  
No. 30, Janadhipathi Mawatha,  
Colombo 01.

The RDD reserves the right to refer the registration application to the PFI, in the event RDD needs any further clarification.

- 10.13. Disburse the sub-loans to the eligible sub-borrowers through a Bank Account of the borrower, after the registration of relevant loans with the CBSL.
- 10.14. Ensure that any branch of the PFIs shall not, in any circumstance, grant loans for the end-borrowers at any interest rate higher than 2 per cent per annum, under this Loan Scheme.
- 10.15. Indicate the Enquiry Number assigned by the RDD in respect of each loan when correspond with RDD regarding refinance and on ledger sheets for the purpose of identification of the loan.
- 10.16. Submit refinance applications for sub-loans to RDD through the Head Office of the PFI within 30 days of the disbursement of loans. The refinance application for sub loans should be accompanied by the following documents,
  - (a) Application for Refinance - ( Annex II)
  - (b) Application for Refinance - Statement of Loan Disbursements (Annex III)
  - (c) Demand Promissory Note ( Annex IV)
  - (d) Delivery Letter (Annex V)
  - (e) Form of Assignment ( Annex VI)
  - (f) Disbursement Letter ( Annex VII)
- 10.17. Ensure that the branches are implementing the Loan Scheme, submit regular progress reports in respect of implementation, recovery of loans, etc. to the Head Offices of the PFIs.

- 10.18. Take all possible measures including the frequent visits, sending reminders to Sub-borrowers to recover the loan.
- 10.19. Maintain appropriate records and ledger accounts to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery and a separate database with regard to the Loan Scheme facilitating to trace all information regarding a sub-loan.
- 10.20. Maintain Accounts and Financial Statements
  - (a) PFIs are required to maintain separate books and accounts for the utilization of loan proceeds and refinance operations.
  - (b) PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD. Further, the PFI should submit the Accounts and Financial Statements to RDD as and when required.

**11. General Conditions**

The CBSL reserves the right to revise the terms and conditions in respect of the Loan Scheme as and when necessary.

D.V.S. Dayawansa,  
**Director/Regional Development Department**  
**Central Bank of Sri Lanka**

Annex I

REGISTRATION NO.....

**“ATHWELA” LOAN SCHEME FOR RESUMPTION OF ECONOMIC ACTIVITIES AFFECTED BY DISASTERS  
 (READ)**

**LOAN REGISTRATION APPLICATION**

- 1) Name of PFI : .....
- 2) Name of the Branch : .....
- 3) Address of the Branch : .....
- 4) Telephone No./Fax No. : .....
- 5) Status of Applicant/s : Individual Partnership
- 6) Name and Address of Applicant/Partner/Director:

Name	Address	Telephone No.	NIC Number
i			
ii			

- 7) Type of the Disaster : .....
- 8) Date(s) at which the Disaster prevailed : From : ..... To: .....  
 (Please provide original documents of confirmation to prove that the sub-loan applicant’s economic activity has been in operation at the time of the flood/drought and has been affected by said disaster under consideration, obtained from Grama Niladhari and Divisional Secretary etc. acceptable by PFI and RDD)
- 9) Complete Address of the Project Site and Location :  
 .....
- 10) District : .....
- 11) Type of economic activity :
  - (1) Agriculture
  - (2) Plantation
  - (3) Live stock and fisheries
  - (4) Services (Including Trade, Business, Profession or Vocation)
  - (5) Other
- 12) Brief description of the project to be financed under READ loan scheme.
- 13) Estimated cost of the Project : Rs.....
- 14) Borrowers’ equity contribution : Rs.....

- 15) Required loan amount : Rs.....  
 16) Amount recommended/approved by the PFI : Rs.....

I certify that the proposed project described at 10 above has been examined by me/credit officer and found that it has a sufficient cash flow for profitability and hence recommended for finance under the READ loan scheme.

.....  
 Date Signature of Branch Manager

**Annex II**

REFINANCE APPLICATION NO:- .....  
**(To Operating Instructions No RDD/READ/2017/01 dated 07/09/2017)**

Address:  
 Date:

**APPLICATION FOR REFINANCE UNDER  
 "ATHWELA" LOAN SCHEME FOR RESUMPTION OF ECONOMIC ACTIVITIES AFFECTED BY DISASTERS (READ)**

To: The Central Bank of Sri Lanka

Gentlemen

We, .....  
 (Name of PFI)

A licensed commercial bank/licensed specialized bank and an authenticated print of whose constitution has already been/ is herewith submitted to you, do hereby apply for the grant of a loan of Rupees .....

(Rs.....) under the above Loan Scheme.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/READ/2017/01 dated 07/09/2017 and the Subsidiary Loan Agreement under the above Refinance Scheme between the Central Bank of Sri Lanka and us dated .....2017.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, of loans granted not earlier than six months immediately preceding the date of this application by us under the "Athwela" Loan Scheme . We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby certify that we have satisfied ourselves that
  - (i) the loans mentioned in paragraph 3 above have been granted to eligible borrowers for eligible projects under the above scheme,
  - (ii) such loans are within the borrowing powers of the respective borrowers, and
  - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature,  
 Name and Description of the Authorized Officer(s) of the PFI  
 Manager, Refinance Unit

**Annex III**

REFINANCE APPLICATION NO .....

**(To Operating Instructions No RDD/READ/2017/01 dated 07/09/2017)**

**STATEMENT OF LOANS DISBURSED UNDER THE  
 "ATHWELA" LOAN SCHEME FOR RESUMPTION OF ECONOMIC ACTIVITIES AFFECTED BY DISASTERS (READ)**

TO : CENTRAL BANK OF SRI LANKA

FROM : REFINANCE UNIT

PFI : ..... BRANCH: ..... DISTRICT: .....

Enquiry Number	Name, Address & NIC Number of The Borrower	Project Description & Purpose of Loan	Sub-Loan Amount (Rs.)	Amount Disbursed (Rs.)	Date of Disbursement	Disbursed Amount for Which Refinance is sought (Rs.)	Grace Period	Repayment Schedule			
								Instalments		Due date for first Instalment	Due date for last Instalment
								No. of Instalments	Value of Instalment (Rs.)		
<b>Total</b>											

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in half yearly installments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

Signature of Authorized Officer

Date: .....

**Annex IV**

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/READ/2017/01 dated 07/09/2017)

**“ATHWELA” LOAN SCHEME FOR RESUMPTION OF ECONOMIC ACTIVITIES AFFECTED BY DISASTERS (READ) DEMAND PROMISSORY NOTE**

Colombo

Date :

Rs.....

On demand, we, the undersigned .....

(name and address of the Participatory Financial Institution)

hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupees .....

(Rs.....) currency for value received, with interest thereon, at the rate of ..... per centum per annum from the date hereof.

.....  
For (Name of PFI)  
REFINANCE UNIT  
HEAD OFFICE

.....  
(Stamp)

1. ....  
2. ....

Signature of the Authorized Officer(s)

WITNESSES:

1. ....  
2. ....

**Annex V**

REFINANCE APPLICATION NO .....

(To Operating Instructions No RDD/READ/2017/01 dated 07/09/2017)

Colombo

Date :

**“ATHWELA” LOAN SCHEME FOR RESUMPTION OF ECONOMIC ACTIVITIES AFFECTED BY DISASTERS (READ) DELIVERY LETTER**

To: The Central Bank Of Sri Lanka

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422)

as amended from time to time, a loan to the extent of Rupees .....  
 ..... (Rs.....) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (READ Loan Scheme) referred to in your Operating Instructions No RDD/READ/2017/01 dated 07/09/2017 we herewith deliver to you our Promissory Note in your favour for Rs.....  
 ..... (Rs.....) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.

.....  
 For (Name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

1. ....  
 2. ....  
 Signature of the Authorized Officer(s)

**Annex VI**

REFINANCE APPLICATION NO.....

**(To Operating Instructions No RDD/READ/2017/01 dated 07/09/2017)**

Date:

**“ATHWELA” LOAN SCHEME FOR RESUMPTION OF ECONOMIC ACTIVITIES AFFECTED BY DISASTERS (READ)**

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE  
 MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA  
 UNDER SECTION 88A OF THE MONETARY LAW ACT\***

We, .....  
 .....  
 (Name and address of Participatory Financial Institution)

in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees ...  
 .....

(Rs.....) granted to us by the Bank repayable with interest at ..... percent per annum.

**SCHEDULE**

Amount of Debt (Rs)	Borrower’s Name, National Identity Card Number and Address	Date	Type and Details of Collateral, if applicable	Notary

.....  
 Signature of the Authorized Officer  
 For (name of PFI)  
 REFINANCE UNIT  
 HEAD OFFICE

\* To be used by Licensed Commercial Banks and Licensed Specialized Banks only

**DISBURSEMENT LETTER**

(To Operating Instructions No RDD/READ/2017/01 dated 07/09/ 2017)

Bank Name :

Bank Code No :

Branch Name :

Branch Code No :

Serial No. of the Loan :

Date :

Disbursement\* :

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

**STATEMENT OF LOANS DISBURSED UNDER  
"ATHWELA" LOAN SCHEME FOR RESUMPTION OF ECONOMIC ACTIVITIES AFFECTED BY DISASTERS (READ)**

Enquiry No:
-------------

**1. Particulars of the Borrower :**

1.1 Name of the Borrower :

1.2 Address of the Borrower :

**2. Particulars of the Loan:**

2.1 Purpose of the loan :

2.2 Location of the Sub-Project :

2.3 Total amount of loan sanctioned originally:

Rs.

Subsequent enhancement of loan for cost overruns:

Rs.

Total Rs.

=====

2.4 Date of original sanction of loan :

Date of sanction of enhancement of loan :

2.5 Repayment Programme for the installment for which refinance was applied for :

Date : Amount (Rs.) :

2.6 Rate of Interest:

**3. Status of Loan:**

3.1 Amount released previously and refinance claimed from the CBSL:

Rs.

3.2 Amount now released and for which refinance is sought:

Rs.

Total Rs.

=====

I certify that the particulars given above are true and correct.

Signature of Branch Manager

Date:

Name of Branch Manager

\* Please indicate whether it is 1<sup>st</sup>, 2<sup>nd</sup> or any other installment by putting a cross in the appropriate box.**Operating Instructions No: RDD/SWASHAKTHI /2017/01 (A-01)**

Regional Development Department  
Central Bank of Sri Lanka  
P.O. Box 590  
No.30, Janadhipathi Mawatha  
Colombo 1.  
09 October 2017

To : All PFIs

Dear Sir/Madam

## AMENDMENTS TO THE OPERATING INSTRUCTIONS OF “SWASHAKTHI - TOWARDS ONE MILLION JOBS”: LOAN SCHEME

The Operating Instructions No. RDD/SWASHAKTHI /2017/01 dated 09.02.2017, (herein after referred to as “Principal OI”) issued by the Director, Regional Development Department of the Central Bank of Sri Lanka on SWASHAKTHI Loan Scheme is hereby amended as follows;

1. Clause 1 of the Principal OI is hereby repealed and the following clause is substituted therefor:-

“The Central Bank of Sri Lanka (CBSL) and the Ministry of National Policies and Economic Affairs (MNP&EA) have jointly designed and introduced a Loan Scheme, named “SWASHAKTHI” for the Micro, Small and Medium Scale Enterprise (MSME) sector Development and Employment Generation, on behalf of the Government of Sri Lanka (GOSL). The main objective of the scheme is to generate employment opportunities, via providing financial support for new entrants who are engaged in income generating activities in the Agriculture and Livestock, Industrial and Services sectors, under this scheme, and reside in district of Mulativu, Kilinochchi, Mannar, Polonnaruwa, Vavuniya, Trincomalee, Matale, Monaragala, Jaffna, Nuwara Eliya, and Ampara”

2. Clause 4.3.1(b) is hereby repealed.

3. Clause 4.7, of the Principal OI is hereby repealed and the following clause is substituted therefor: -

#### 4.7 Target Group:

“New entrants in Districts of Mulativu, Kilinochchi, Mannar, Polonnaruwa, Vavuniya, Trincomalee, Matale, Monaragala, Jaffna, Nuwara Eliya, and Ampara shall be considered for granting loans”

4. Clause 4.17, of the Principal OI is hereby repealed and the following clause is substituted therefor: -

#### 4.17 Area of Operation:

“Districts of Mulativu, Kilinochchi, Mannar, Polonnaruwa, Vavuniya, Trincomalee, Matale, Monaragala, Jaffna, Nuwara Eliya, and Ampara”

5. Clause 7.1, of the Principal OI is hereby repealed and the following clause is substituted therefor: -

7.1 “be a permanent resident living in the district of Mulativu, Kilinochchi, Mannar, Polonnaruwa, Vavuniya, Trincomalee, Matale, Monaragala, Jaffna, Nuwara Eliya, or Ampara”

6. Clause 8 – Participating Financial Institutions (PFIs)

the words in Paragraph (f) (ii) “for sub-loan in respect of each eligible Applicants (Applicants other than New Entrants) as in Annex V(B)” are hereby repealed.

These amendments are deemed to have come into operation on 19.09.2017.

Please bring the contents of this Amendment to the Operating Instructions to the notice of the relevant officers.

D.V.S. Dayawansa,

**Director/Regional Development Department**

**Microfinance Act Directions No. 01 of 2017**

03 March 2017

### OPENING, CLOSURE AND RELOCATION OF BUSINESS PLACES

Issued under section 11 of the Microfinance Act, No. 6 of 2016

- |    |                                |     |   |
|----|--------------------------------|-----|---|
| 1. | Informing the Director         | 1.1 | Licensed Microfinance Company (LMFC) shall inform the Director prior to opening a business place or closing any existing business place or effecting a change in the location of any existing business place, in any part of Sri Lanka. |
| 2. | Opening of New Business Places | 2.1 | LMFC shall establish a prudent policy on Business expansion and submit the Annual Business Expansion Plan (ABEP) to the Director on or before 31 <sup>st</sup> January each year.   |



- 2.2 In establishing policies on ABEP as referred to in Direction 2.1 above, every LMFC shall largely consider the potential for business at the new business place, profitability, efficiency of the internal control system, redeployment of staff where surplus manpower has been identified, extension of prompt and cost-effective customer service to the clientele etc.
- 2.3 LMFC shall submit the information regarding the opening of new business place/s to the Director prior to such opening in accordance with the format given in Appendix I.
- 2.4 LMFC shall submit an economic feasibility study for each business place to be opened, showing the need of financial services in the area where LMFC is applying to open a business place. Such a study shall cover, at least, the following areas;
- i. The need of financial services in the proposed area based on the financial institutions density (Population in the Divisional Secretariat divided by Number of Branches of Financial Institutions in the Divisional Secretariat).
  - ii. Expected increase in demand for financial services in that area, and the period within which the activity of the business place will become profitable.
  - iii. The financial assumptions of the applied business place, based on its anticipated business size, business development, establishment cost and operating cost and results over an adequate period of not less than three years.
- 2.5 LMFC shall ensure to obtain prior approval of its board of directors before opening of a new business place/s.
- 2.6 LMFC shall ensure to obtain appropriate clearance from the respective Government Authorities.
- 2.7 LMFC shall submit a Police Clearance Certificate for the proposed new business place.
- 2.8 LMFC shall inform the Director significant changes affecting any of the commitments, representations or projections contained in the original form of information during/after the formation and establishment of the new business place.
- 2.9 LMFC shall ensure to notify the Director the date of new business place opened within ten business days after opening.
3. Closure of Business Places
- 3.1 LMFC shall inform the Director prior to closing of existing business places in accordance with the format given in Appendix II.
- 3.2 LMFC shall ensure to obtain prior approval of its Board of Directors before closure of a business place.
- 3.3 LMFC shall ensure that no further microfinance business would thereafter be carried out at the location of the business place by LMFC after the date of closure.
- 3.4 LMFC shall ensure to notify the Director the date of business place closure within ten business days after such closure.
4. Relocation of Business Places
- 4.1 LMFC shall inform the Director prior to changing the location of any existing business place to the Director in accordance with the format given in Appendix III.
- 4.2 LMFC shall submit a police clearance certificate for the proposed new business place.
- 4.3 LMFC shall ensure to obtain prior approval of its Board of Directors for a change in the location of any existing business place.
- 4.4 LMFC shall ensure that no further microfinance business by the company would thereafter be carried out at the original location of the business place after the relocation.
5. Interpretations
- In this Direction,  
 "Business Place" shall mean any place where a LMFC conducts microfinance business.  
 "Director" means the Director of the Department of Supervision of Microfinance Institutions of the Central Bank of Sri Lanka.

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

## Appendix I

## Opening of a New Business Place

<b>1.</b>	<b>General</b>						
1.1	Name of Licensed Microfinance Company						
1.2	Date of approval of the Board of Directors for the proposed opening						
1.3	Contact Person						
a.	Name of Officer						
b.	Designation						
c.	Telephone						
d.	Email						
<b>2.</b>	<b>Projected Financial Information: Please provide the financial projections for next three year period of company operations, including the proposed business place/s.</b>						
	<b>Item</b>	<b>Year 1</b>		<b>Year 2</b>		<b>Year 3</b>	
2.1	Non-performing Accommodations Ratio,%						
2.2	Total Deposits, Rs. million						
2.3	Total Loans and Advances, Rs. million						
2.4	Core Capital, Rs. million						
2.5	Profit/ (Loss), Rs. million						
<b>3.</b>	<b>Opening of New Business places</b>						
3.1	Number of Proposed New Business places						
						Total	
3.2	Details of New Business Places, please provide the details of proposed business place separately as per appendix I(a)						
<b>4.</b>	<b>Certification</b>						
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.						
	Name:						
	Title:						
	Signature:						
	Date:	dd/mm/yyyy					

Appendix I (a)

## Details of the New Business Place

<b>1.</b>	<b>General</b>					
1.1	Please provide the official name to be used by the business place					
1.2	Location					
a.	Administrative District					
b.	Name of Town					
c.	Divisional Secretariat					
d.	Specify whether it is within or outside a Municipal Council/Urban Council					
e.	Postal Address, if available					
f.	Postal Address, if available					
<b>2.</b>	<b>Staff Requirements</b>					
2.1	Staff Grade	Clerical	Minor Staff	Security	Total	

2.2	Provide the staff profiles of the proposed business place indicating their qualifications, experience and job description (submit the details on a separate annexure).			
<b>3.</b>	<b>Financial Information</b> - Please provide financial projections in the proposed business place/s for the first three years			
	<b>Item (Rs. million)</b>	<b>Year-1</b>	<b>Year-2</b>	<b>Year-3</b>
3.1	Deposits			
3.2	Loan and Advances			
3.3	Interest Income			
3.4	Interest Expenses			
3.5	Employee's Expenses			
3.6	Profit/(Loss)			
<b>4.</b>	<b>Information of other financial institutions operating within the Divisional Secretariat of the proposed business place to be located</b>			
	<b>Item</b>			<b>No.</b>
4.1	Licensed Banks/branches			
4.2	Licensed Finance Companies/branches			
4.3	Specialized Leasing Companies/branches			
4.4	Licensed Microfinance Companies/business places			
	Registered Microfinance NGOs/business places			
4.5	Divineguma Community Based Banks			
<b>5.</b>	<b>Population of the Divisional Secretariat of the proposed Business Place</b>			
<b>6.</b>	<b>Economic Feasibility Report</b>			
	Name: Title: Signature: Date:			

**Note:** Please provide details in separate sheets if the proposed number of business places is more than one.

## Appendix II

### Closure of a Business Place

<b>1.</b>	<b>General</b>	
1.1	Name of Microfinance Company	
1.2	Date of approval of the Board of Directors for the proposed closure	
1.3	Reasons for the closure of business place	
<b>2.</b>	<b>Location</b>	
2.1	Administrative District	
2.2	Divisional Secretariat	
2.3	Postal Address	
<b>3.</b>	<b>Describe the actions to be taken on assets, liabilities and employees of proposed closure of business place:</b>	
<b>4.</b>	<b>Certification</b>	
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:	
	Title:	
	Signature:	
	Date:	

## Appendix III

## Relocation of a Business Place

<b>1.</b>	<b>General</b>	
1.1	Name of Microfinance Company	
1.2	Date of Board of Directors Approval for the proposed relocation:	
1.3	Reasons for the relocation of business place	
<b>2.</b>	<b>Location</b>	
<b>2.1</b>	<b>Existing</b>	
	a. Administrative District	
	b. Name of Town	
	c. Divisional Secretariat	
	d. Postal Address	
<b>2.2</b>	<b>New (Proposed)</b>	
	a. Administrative District	
	b. Name of Town	
	c. Divisional Secretariat	
	d. Postal Address	
<b>3.</b>	<b>Key information of the proposed relocation (Rs.million)</b>	
3.1	Total Assets	
3.2	Loans and advances	
3.3	Other assets	
3.4	Deposits	
3.5	Total borrowings	
3.6	Other Liabilities	
3.7	No. of employees	
<b>4.</b>	<b>Certification</b>	
	The undersigned has the authority to submit this application on behalf of the company and the information provided herein is true and correct to the best of my knowledge and belief.	
	Name:	
	Title:	
	Signature:	
	Date:	

## Microfinance Act Directions No. 02 of 2017

03 March 2017

## STRUCTURAL CHANGES

Issued under the section 11 of Microfinance Act, No. 6 of 2016.

1. Structural Changes which require approval of the Monetary Board
  - 1.1 No Licensed Microfinance Company (LMFC) shall, without the prior approval in writing of the Monetary Board of the Central Bank of Sri Lanka:-
    - a) Form any subsidiary, subsidiary or associate of an approved subsidiary or associate company;
    - b) Sell whole or part of its business;
    - c) Acquire whole or part of the business of any institution or company;
    - d) Amalgamate, consolidate or merge with any institution or company;
    - e) Change the name of the company;
2. Structural Changes which require the approval of the Director
  - 2.1 No LMFC shall, without the prior approval in writing of the Director:-
    - a) Outsource of any of its functions other than Mail, Courier Services, Housekeeping and Janitorial services, Security of premises, Payroll and Secretarial functions;
    - b) Enhance or reduce its share capital;

- c) Enhance its investment in share capital of an approved subsidiary or an associate company;
- d) Sell whole or part of the business of an approved subsidiary or an associate company;
- e) Change its Articles of Association;
- f) Transfer or sell any of its assets of a book value of more than Rupees One Million (Rs.1,000,000/-), at a price less than prevailing market value;
- g) Change the designation of any member of the board of directors and Chief Executive Officer.
- h) Transfer or sell any of its assets for any consideration other than for a monetary consideration.
3. Resignation of any member of the Board of Directors and Chief Executive Officer/General Manager 3.1 No member of the board of directors and Chief Executive Officer/General Manager shall without the prior approval of the Director, resign from the company.
4. Definitions 4.1 In this Direction,
- a) "Subsidiary" and "Associate" as defined in the Sri Lanka Accounting Standards.
- b) "Prevailing market value" shall mean the estimated price determined by a licenced valuer for which an asset should exchange between a willing buyer and a willing seller in an arm's length transaction
- c) "Director" means the Director of the Department of Supervision of Microfinance Institutions of the Central Bank of Sri Lanka.

Dr. Indrajit Coomaraswamy

**Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka**

**Finance Business Act Direction No. 01 of 2017**

13 January 2017

### **LOAN TO VALUE RATIOS FOR CREDIT FACILITIES IN RESPECT OF MOTOR VEHICLES**

Issued under section 12 of the Finance Business Act, No. 42 of 2011.

The Monetary Board issues Directions as follows for the implementation of Loan to Value (LTV) ratios in respect of credit facilities granted by Licensed Finance Companies (LFCs) for the purpose of purchase or utilization of motor vehicles.

1. Empowerment under the Finance Business Act 1.1 In terms of section 12 of the Finance Business Act, the Board may give directions to finance companies or to any group or category of finance companies regarding the manner in which any aspect of the business and corporate affairs of such finance companies are to be conducted.
2. Maximum LTV ratios 2.1 Commencing 16 January 2017, credit facilities granted by every LFC for the purpose of purchase or utilisation of vehicles shall not exceed the following percentages of the market value of such vehicles.
- (i) In respect of unregistered vehicles and registered vehicles which have been used in Sri Lanka for less than one year after the first registration;
- (a) 90 per cent for commercial vehicles (lorries and heavy vehicles);
- (b) 50 per cent for motor cars, sports utility vehicles (SUVs) and vans;
- (c) 25 per cent for three wheelers; and
- (d) 70 per cent for any other vehicles.
- (ii) 70 per cent in respect of registered vehicles which have been used in Sri Lanka for not less than one year after the first registration.

- |    |  |  |
|----|--|--|
| 3. | Exemptions from the Maximum LTV ratios | 3.1 The limits in Direction 2 above will not be applicable to credit facilities granted to any company engaged in tourism and/or transportation for purchase of vehicle fleets to be utilized for their core business operations, provided that such vehicles financed shall not be transferred to any person or entity within one year from the date of the first registration. |
|    |  | 3.2 LFCs shall have internal limits and adopt adequate risk management procedures in granting credit facilities for this category of vehicles.   |
| 4. | Other credit facilities for vehicles   | 4.1 An LFC shall not grant credit facilities for the purpose of purchase or utilisation of motor vehicles, other than credit facilities granted in accordance with Directions 2 and 3 above.   |
| 5. | Interpretations                        | 5.1 In these Directions:<br>(i) Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilization of vehicles.<br>(ii) The value of the vehicle shall be the market value obtained from a professional valuer at the time of granting credit facilities as per the prevailing practice.   |
| 6. | Revocation of previous Directions      | 6.1 The following Directions are hereby revoked:<br>(i) The Finance Companies (Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles) Direction No. 01 of 2015.<br>(ii) The Finance Companies (Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles) Direction No. 02 of 2015.  |

Dr. Indrajit Coomaraswamy

**Chairman of the Monetary Board and  
Governor of the Central Bank of Sri Lanka**

### Finance Business Act Directions No. 02 of 2017

23 February 2017

#### MINIMUM CORE CAPITAL

In terms of powers conferred by sections 12 and 17 of the Finance Business Act, No. 42 of 2011, the Monetary Board issues Directions as follows on the minimum amount of core capital held by Licensed Finance Companies (LFCs) with a view to encouraging consolidation of LFCs in the interest of safety and soundness of the LFC sector.

- |    |  |   |
|----|--|---|
| 1. | Minimum core capital                         | 1.1 Every LFC shall at all times maintain an unimpaired core capital at a level not less than Rs. 400 million until 31.12.2017, and thereafter, maintain an unimpaired core capital at a level not less than the amounts stipulated below.<br>i. Rs. 1.0 billion by 01.01.2018<br>ii. Rs. 1.5 billion by 01.01.2019<br>iii. Rs. 2.0 billion by 01.01.2020<br>iv. Rs. 2.5 billion by 01.01.2021  |
| 2. | Regulatory measures to secure the compliance | 2.1 In the event of non-compliance by an LFC with above Directions, the Director shall act on any one or more of the following.<br>(i) Impose maximum ceilings on deposit liabilities and borrowings of such LFCs.<br>(ii) Freeze distribution of dividends or repatriation of profits of such LFCs.<br>(iii) Restrict expansion of business operations of such LFCs.<br>2.2 The Director shall lift the above regulatory measures when such non-compliance is rectified. |
| 3. | Interpretations                              | 3.1 In these Directions,<br>(i) "Core capital" shall have the same definition as given in the Finance Business Act, No. 42 of 2011.   |

(ii) "Director" means the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.

4. Revocation of previous Direction 4.1 The Finance Companies (Minimum Core Capital) Direction, No. 01 of 2011 is hereby revoked.

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

Finance Business Act Directions No. 03 of 2017

17 February 2017

### AMENDMENT TO DIRECTIONS ON THE LOAN TO VALUE RATIOS FOR CREDIT FACILITIES IN RESPECT OF MOTOR VEHICLES

The interpretations in Direction 5 of the Finance Business Act Directions No. 01 of 2017 are amended by replacing the following:

5. Interpretations
- 5.1 Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilisation of vehicles.
- 5.2 The value of the vehicle shall be the market value. LFCs may use the following for the purpose of valuing vehicles:
- (i) Brand new vehicles - value given by authorized agents
- (ii) Reconditioned vehicles - valuation considered at customs or invoice value given by the dealer
- (iii) Registered vehicles - value given by a professional valuer
- 5.3 LFCs should ensure that the valuation is obtained at the time of granting credit facilities and provides a true and fair value.
- 5.4 The vehicle classes provided by the Department of Motor Traffic (DMT) may be categorised for the purpose of the Direction as in Table 1 below:

<b>Table 1 – Categorisation of DMT Vehicle Classes</b>		
<b>Vehicle Category</b>	<b>Vehicle Class of DMT</b>	<b>LTV</b>
Commercial vehicles (Lorries and Heavy Vehicles)	C1, C, CE, DE, G1, G, J	90%
Motor Cars, SUVs and Vans	B, D1, D	50%
Three wheelers	B1	25%
Any other vehicle	A1, A	70%

- 5.5 Fleet of vehicles referred to in Direction 3.1 shall mean two or more vehicles.
- 5.6 Company engaged in tourism referred to in Direction 3.1 shall mean a company registered with the Sri Lanka Tourism Development Authority or any other authority to provide services to tourism.
- 5.7 A company engaged in transportation referred to in Direction 3.1 shall mean any business entity registered at any state authority for the purpose of business of transportation of goods or passengers.
- 5.8 An LTV of 70% may be approved for credit in respect of all vehicles where applications for credit have been received or credit facilities have been approved by a LFC on or before 16 January 2017.

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

**Finance Business Act Directions No. 04 of 2017**

02 June 2017

**AMENDMENT TO DIRECTIONS ON THE LOAN TO VALUE RATIOS FOR CREDIT FACILITIES IN RESPECT OF MOTOR VEHICLES**

The Directions 5.1 and 5.4 of the Finance Business Act Directions No. 03 of 2017 on Amendment to Directions on the Loan to Value Ratios for Credit Facilities in Respect of Motor Vehicles are amended by replacing the following:

5. Interpretations
- 5.1 Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilisation of vehicles by end-users.
- 5.2 The vehicle classes provided by the Department of Motor Traffic (DMT) may be categorized for the purpose of the Direction as in Table 1 below:

<b>Vehicle Category</b>	<b>Vehicle Class of DMT</b>	<b>LTV</b>
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J	90%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	50%
Three wheelers	B1	25%
Any other vehicle	A1, A, light trucks & single cabs categorized under B	70%

Dr. Indrajit Coomaraswamy  
**Chairman of the Monetary Board and  
 Governor of the Central Bank of Sri Lanka**

**Department of Supervision of Non Bank Financial Institutions Circular No. 1 of 2017**

30 May 2017

**CONCESSIONS IN RESPECT OF CREDIT GRANTED TO FLOOD AFFECTED BORROWERS**

Licensed Finance Companies / Specialised Leasing Companies (LFCs/SLCs) may grant the following concessions on a case-by-case basis to their borrowers who have been affected by the recent floods, adverse weather conditions and connected circumstances in terms of the national policy adopted to facilitate rehabilitation of businesses and normal operations of such borrowers in the national interest.

1. Moratorium
- 1.1 Grant a moratorium of not exceeding 3 months with effect from today in respect of all performing credit facilities of borrowers as at 25 May, 2017 which have been affected by floods, adverse weather conditions and connected circumstances.
2. Penal Interest
- 2.1 Waive the penal interest on overdue loans of the borrowers under the above moratorium and non-performing borrowers as affected above who are willing to settle their loans on rescheduled terms as agreed with LFCs/SLCs in order for them to recommence/restructure their business activities.
3. Reporting
- 3.1 LFCs/SLCs shall maintain necessary documents to substantiate grant of such concessions.
- 3.2 LFCs/SLCs shall report details of such borrowers in the annexed format to the Director, Department of Supervision of Non-Bank Financial Institutions by 30 June 2017.

U P Alawattage  
**Director, Department of Supervision of Non-Bank  
 Financial Institutions, Central Bank of Sri Lanka**





- 3.2 SLCs shall have internal limits and adopt adequate risk management procedures in granting credit facilities for this category of vehicles.
4. Other credit facilities for vehicles 4.1 An SLC shall not grant credit facilities for the purpose of purchase or utilisation of motor vehicles, other than credit facilities granted in accordance with Directions 2 and 3 above.
5. Interpretations 5.1 In these Directions:
- (i) Credit facilities shall mean finance leases, hire purchase facilities and other credit facilities granted for the purpose of purchase or utilisation of vehicles.
- (ii) The value of the vehicle shall be the market value obtained from a professional valuer at the time of granting credit facilities, as per the prevailing practice.
6. Revocation of previous Directions 6.1 The following Directions are hereby revoked:
- (i) The Finance Leasing (Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles) Direction No. 01 of 2015
- (ii) The Finance Leasing (Loan to Value Ratio for Loans and Advances in respect of Motor Vehicles) Direction No. 02 of 2015

U. P. Alawattage

**Director, Department of Supervision of Non-Bank Financial Institutions  
Central Bank of Sri Lanka**

Finance Leasing Act Directions No. 02 of 2017

17 February 2017

**AMENDMENT TO DIRECTIONS ON THE LOAN TO VALUE RATIOS FOR  
CREDIT FACILITIES IN RESPECT OF MOTOR VEHICLES**

The interpretations in Direction 5 of the Finance Leasing Act Directions No. 01 of 2017 are amended by replacing the following:

5. Interpretations 5.1 Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilisation of vehicles.
- 5.2 The value of the vehicle shall be the market value. SLCs may use the following for the purpose of valuing vehicles:
- (i) Brand new vehicles - value given by authorized agents
- (ii) Reconditioned vehicles - valuation considered at customs or invoice value given by the dealer
- (iii) Registered vehicles - value given by a professional valuer
- 5.3 SLCs should ensure that the valuation is obtained at the time of granting credit facilities and provides a true and fair value.
- 5.4 The vehicle classes provided by the Department of Motor Traffic (DMT) may be categorised for the purpose of the Direction as in Table 1 below:
- | <b>Table 1 – Categorisation of DMT Vehicle Classes</b> |                             |            |
|--|-----------------------------|------------|
| <b>Vehicle Category</b>                                | <b>Vehicle Class of DMT</b> | <b>LTV</b> |
| Commercial vehicles (Lorries and Heavy Vehicles)       | C1, C, CE, DE, G1, G, J     | 90%        |
| Motor Cars, SUVs and Vans                              | B, D1, D                    | 50%        |
| Three wheelers   | B1                          | 25%        |
| Any other vehicle                                      | A1, A                       | 70%        |
- 5.5 Fleet of vehicles referred to in Direction 3.1 shall mean two or more vehicles.
- 5.6 Company engaged in tourism referred to in Direction 3.1 shall mean a company registered with the Sri Lanka Tourism Development Authority or any other authority to provide services to tourism.

- 5.7 A company engaged in transportation referred to in Direction 3.1 shall mean any business entity registered at any state authority for the purpose of business of transportation of goods or passengers.
- 5.8 An LTV of 70% may be approved for credit in respect of all vehicles where applications for credit have been received or credit facilities have been approved by a SLC on or before 16 January 2017.

U. P. Alawattage

**Director, Department of Supervision of Non-Bank Financial Institutions  
Central Bank of Sri Lanka**

Finance Leasing Act Directions No. 03 of 2017

02 June 2017

**AMENDMENT TO DIRECTIONS ON THE LOAN TO VALUE RATIOS FOR  
CREDIT FACILITIES IN RESPECT OF MOTOR VEHICLES**

The Directions 5.1 and 5.4 of the Finance Leasing Act Directions No. 02 of 2017 on Amendment to Directions on the Loan to Value Ratios for Credit Facilities in Respect of Motor Vehicles are amended by replacing the following:

5. Interpretations
- 5.1 Credit facilities shall mean finance leases, hire purchase facilities and all other credit facilities granted for the purpose of purchase or utilisation of vehicles by end-users.
- 5.4 The vehicle classes provided by the Department of Motor Traffic (DMT) may be categorized for the purpose of the Direction as in Table 1 below:

<b>Table 1 – Categorisation of DMT Vehicle Classes</b>		
<b>Vehicle Category</b>	<b>Vehicle Class of DMT</b>	<b>LTV</b>
Commercial vehicles	C1, C, CE, D1, D, DE, G1, G, J	90%
Motor Cars, SUVs and Vans	B (other than light trucks & single cabs)	50%
Three wheelers	B1	25%
Any other vehicle	A1, A, light trucks & single cabs categorized under B	70%

U. P. Alawattage

**Director, Department of Supervision of Non-Bank Financial Institutions  
Central Bank of Sri Lanka**

