

Guideline on obtaining Exchange Control approval for Sri Lankan firms to borrow from foreign sources

In terms of the provisions of the Exchange Control Act No. 24 of 1953, any resident person requires the prior permission of the Central Bank of Sri Lanka to borrow in foreign currency.

2. In terms of the said provisions, such permission will be granted for resident firms to borrow from foreign sources on case by case basis based on the following policy criteria;
 - i. **Permitted borrowers:** Private and public limited liability companies and sole proprietorships which carry on the businesses as indicated in Annex 1.
 - ii. **Maximum amount to be borrowed:** USD 50 million at any given time.
 - iii. **Permitted lenders:**
 - a. International banks or Finance Institutions
 - b. Multilateral financial institutions
 - c. Foreign shareholders or parent companies of the borrowing companies
 - d. Export credit agencies
 - e. Individual lenders: subject to furnishing of a confirmation from the banker of his/her country of residence that he/she had been maintaining an account with the said bank at least for a period of one year prior to the date of lending along with evidence that he/she is a tax payer in the country of residence;
 - iv. **Repayment period:** shall be at least three years from the date of receipt of the loan proceeds; However, requests with tenors less than three years shall be considered based on the merits of the borrower.
 - v. **Cost of Borrowing:** All costs including fees, charges and interest applicable for the loans shall not exceed the LIBOR + 6% per annum;
 - vi. **Conditions governing the receipt and utilization of the loan proceeds:**
 - a. Loan proceeds shall be used only for the purpose of working capital, investment in the business of the borrower, restructure the company or settle existing foreign currency loans.
 - b. Entire loan proceeds must be remitted into Sri Lanka.
 - c. If any part of the proceeds of the loans is to be used for any overseas investment, such proceeds shall first be credited to an Outward Investment Account of the firm opened at a licensed commercial bank according to the current guidelines issued by the Controller of Exchange.
 - vii. In the case of a borrowing by a sole proprietorship, such business should have had a satisfactory banking relationship with a commercial bank in Sri Lanka for the last three years, and should have also paid its taxes during the same period, if not exempted from payment of tax.

viii. **Information required to be furnished:**

- a. Application Form in the manner prescribed by the Controller of Exchange;
 - b. A statement cum analysis of the business performance of the applicant during the past five years;
 - c. Statement of purpose of the loan with projected repayment, cash flows;
 - d. Audited accounts for the last two years;
 - e. A certified copy of the draft loan agreement entered regarding the loan;
 - f. Business profile of the lender; and
 - g. Tax clearance certificate in the case of sole proprietorships.
 - h. In the case of a newly incorporated companies, detailed business profiles of shareholders and directors.
- ix. **Approval Process:** A loan approval committee comprising the Controller of Exchange, Deputy Controller of Exchange and two senior staff officers will assess the applications and convey the decision within two weeks from the date of receipt of the complete application.

Permitted borrowers

1. Companies engaged in the following businesses will be permitted to borrow in foreign exchange subject to the condition that repayments should be made out of the foreign exchange earnings of the company.

- a) Merchandise exporters registered with the Export Development Board
- b) Tourism
- c) Tourists Entertainment Centres
- d) Gem and Jewellery
- e) Shipping
- g) Domestic Air Travel

2. Companies or sole proprietorships engaged in the following businesses will be permitted to borrow in foreign exchange irrespective of the capacity to repay the loans out of the foreign exchange earnings of the company or sole proprietorship.

- a) Agriculture, Livestock and Plantation
- b) Fisheries
- c) Food Processing
- d) Education and training
- e) Power generation and transmission
- f) Research and Development
- g) Hospitals and Provision of Health and Health care Services
- h) Commercial Housing Construction
- i) Construction of Roads and Bridges
- j) Mass Transportation
- k) Environmental Protection
- l) Departmental Stores
- m) Vehicle Assembling
- n) Ports & Ancillary Services
- o) Industrial Parks
- p) Urban Infrastructure (water supply, sanitation and sewage projects)
- q) IT Service Providers
- r) Heavy Industries and Manufacturing
- s) Consultancy Services
- t) Handicrafts manufacturers registered with the Government Authorities
- u) Advertising, Publishing, Photography
- v) Services related to sports
- w) Fashion Modeling and Film industry
- x) Entertainment Industry (Music, Dancing Event Management etc.)

APPLICATION FORM ON BORROWING FROM FOREIGN SOURCES

1. General Information

- a. Name of the Company/Sole Proprietorship:
- b. Registration No. :
- c. Date of Incorporation/registration:
- d. Type/s of Business/es carried out by the company /Sole Proprietorship:
- e. Name/s of the Director/s/proprietor:
- f. Shareholding Structure(list of shareholders along with no. of shares held by each shareholder) (only for companies)

2. Details on Loan Arrangement

- a. Lender:
- b. Amount to be borrowed:
- c. Applicable Interest Rate:
- d. Applicable Fees:
- e. Repayment period:
- f. Any other benefit attached to the loan:
- g. Whether repayment to be met out of foreign currency earnings or by converting Rupees:
- h. Security Requirement:

3. Financial information as per the latest Audited Accounts of the Company/Sole Proprietorship

	2009/2010	2010/2011
Profit (Loss)		
Total Assets		
Stated Capital*		
Total Shareholder Funds*		
Amounts borrowed from Domestic Sources		
Amount borrowed from foreign Sources		
Foreign Exchange earnings, if any		

*Only for Companies

4. Information required as per items 1, 2 and 3 above should be supported by relevant statutory documents.

5. Purpose of the Loan

6. Breakdown on how the loan proceeds are to be utilized

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

Director/Sole Proprietor:

Director: