



**MONETARY BOARD
CENTRAL BANK OF SRI LANKA**

25 April 2021

BANKING ACT DIRECTIONS

No. 07 of 2021

**FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE BY LICENSED
COMMERCIAL BANKS**

Issued in terms of powers conferred by Section 46(1) of the Banking Act No. 30 of 1988, as amended.

In view of the need to avoid excess volatility in the foreign exchange market and the impact on banks' risk management, licensed commercial banks (LCBs) shall refrain from entering into forward contracts of foreign exchange with value date beyond Spot date except for the following, until further notice.

- (i) Forward purchase of foreign exchange from their customers including from exporters.
- (ii) Facilitate SWAP arrangements on foreign exchange borrowings of Licensed Specialised Banks and Licensed Finance Companies regulated by the Central Bank of Sri Lanka (CBSL) in order to hedge their FX exposures arising from foreign currency borrowings, approved by CBSL.
- (iii) Facilitate SWAP arrangements on foreign exchange borrowings of corporate clients in order to hedge their FX exposures arising from foreign currency borrowings, approved by CBSL.
- (iv) Amend/extend the value date of existing forward/SWAP contracts of clients at historical rates based on express requests from clients, after verifying the bona fide of the transactions.
- (v) Enter into inter-bank forward and SWAP transactions with single counterparty (i.e. only between two banks).
- (vi) Enter into forward cross currency transactions.

Prof. W D Lakshman
*Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka*