



CENTRAL BANK OF SRI LANKA

14 June 2024

BANKING ACT DIRECTIONS

No. 02 of 2024

OFF-SHORE BANKING BUSINESS OF LICENSED COMMERCIAL BANKS

In terms of the Banking (Amendment) Act, No. 24 of 2024, the demarcation of Domestic Banking Unit and Off-shore Banking Unit is eliminated, and off-shore banking business is identified as a permissible activity that a Licensed Commercial Bank (LCB) may carry out. In view of the above, the Central Bank of Sri Lanka (CBSL) hereby issues these Directions on Off-shore Banking Business of LCBs, with a view to facilitating the conduct of off-shore banking business with the implementation of the Banking (Amendment) Act, No. 24 of 2024.

- 1. Empowerment**
 - 1.1 In terms of Section 46(1) of the Banking Act No. 30 of 1988, as amended, the CBSL may issue Directions to LCBs, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
- 2. Authorised Businesses under Off-shore Banking Business**
 - 2.1 In terms of Section 6 (b) and item (aa) of the Schedule II of the Banking Act No. 30 of 1988, as amended, an LCB is permitted to conduct off-shore banking business.
 - 2.2 An LCB shall carry on off-shore banking business only in designated foreign currencies.
 - 2.3 An LCB may subject to these Directions, and such other terms and conditions, conduct all or any of the following off-shore banking business:
 - (a) accept savings, time and demand deposits in any designated foreign currency, provided that, in the case of time deposits the value of such deposits shall not be less than 10,000.00 United States dollars or its equivalent in any other designated foreign currency or such higher amount as may be determined by CBSL;
 - (b) borrowings;

- (c) extend accommodations; and
- (d) engage in any other transaction authorised by CBSL.

2.4 In accepting any contingent liability under 2.3 (c) above, an LCB shall engage only in the following transactions:

- (a) establish, open or advise letters of credit;
- (b) issue or renew guarantees, indemnities or similar undertakings; and
- (c) acceptances.

3. Eligible Customers for the Purpose of carrying on Off-shore Banking Business

3.1 An LCB may, subject to these Directions, engage in off-shore banking business specified in Direction 2 with any one or more of the following:

- (a) a non-resident, subject to Direction 5.1;
- (b) CBSL;
- (c) an LCB;
- (d) a BOI Company, subject to Direction 5.1;
- (e) any resident, being an exporter of goods and services from Sri Lanka, or any resident, being a local supplier of imported accessories to such exporter and is settled in foreign currency by such exporter, with the prior approval of CBSL on a case-by-case basis; and
- (f) any other resident approved by CBSL in the interest of the national economy, subject to such conditions as CBSL may impose.

4. Transactions Permitted Under Off-shore Banking Business

4.1 Funds from an account maintained for the purpose of off-shore banking business, shall not be withdrawable by cheque.

4.2 An account maintained by a customer as per Direction 3.1 shall only be:

- (a) credited with inward remittances; and
- (b) credited or debited, as the case may be with transactions permitted under the provisions of Foreign Exchange Act, No. 12 of 2017, with respect to off-shore banking business.

5. Granting of Accommodation under Off-shore Banking Business

- 5.1 An LCB shall ensure to:
- (a) source foreign currency to grant accommodation under off-shore banking business shall not exert undue pressure to the domestic foreign exchange market;
 - (b) grant accommodation to eligible customers where LCB is satisfied that the customer has the capacity to repay such accommodation in a designated foreign currency;
 - (c) implement prudent policies and procedures for granting of accommodation and timely recovery of such accommodation; and
 - (d) report to CBSL the details of accommodation granted under off-shore banking business on a quarterly basis, as per the reporting format given at Annexure I.

6. Maintenance of Records

- 6.1 Every LCB shall have appropriate procedures to identify the accounts that are maintained for the purpose of off-shore banking business.
- 6.2 Every LCB shall duly maintain records, management information and other documents in relation to off-shore banking business.

7. Other Requirements

- 7.1 An LCB may maintain equity including earnings and retained profits of off-shore banking business in designated foreign currency, subject to adherence with the relevant regulatory and legal requirements.

8. Interpretations

- 8.1 For the purpose of these Directions:
- (a) "Off-shore Banking Business" shall have the same meaning as given in section 86 of the Banking Act, No. 30 of 1988 (As amended).
 - (b) "Off-shore Banking Business" means the provision of banking business by a LCB in any designated foreign currency to eligible customers as determined by CBSL, from time to time.
 - (c) "BOI Company" means a company with which an agreement has been entered into by the Board of Investments of Sri Lanka under Section 17 of the Board of Investment of Sri

Lanka, Law No. 04 of 1978, as amended, and which have been granted approval to transact business under off-shore banking business.


- (d) "Resident" and "Non-resident" shall have the same meaning as Section 86 of the Banking Act, No. 30 of 1988, as amended.
- (e) "Designated Foreign Currencies" means the foreign currencies that are set out in the Banking (Off-shore Banking) Order No. 01 of 2024 dated 15.06.2024 and any subsequent amendments, thereto.

**9. Discontinuation
of Regulatory
Reporting
Requirements**

- 9.1 From the effective date of these Directions, the reporting requirements specified in Schedule I of these Directions, are hereby revoked.

10. Effective Date

- 10.1 These Directions shall be effective from the appointed date of the Banking (Amendment) Act, No 24 of 2024, on 15.06.2024.



Dr. P Nandalal Weerasinghe

*Chairman of the Governing Board and
Governor of the Central Bank of Sri Lanka*

Annexure I

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Schedule I: Discontinuations of Finnet Returns

#	Return Code	Name	Frequency
1	BSD-MF-01-BF: Balance Sheet	Balance Sheet – Foreign Currency Banking Unit (FCBU) Operations	Monthly
2	BSD-MF-02-PF: Profit & Loss	Profit & Loss- Foreign Currency Banking Unit (FCBU) Operations	Monthly
3	BSD-MF-04-LF: Statutory Liquid Asset Ratio	Statutory Liquid Asset Ratio-Foreign Currency Banking Unit (FCBU) Operations	Monthly
4	BSD-AF-01-BF: Balance Sheet	Balance Sheet - Foreign Currency Banking Unit (FCBU) Operations	Annually
5	BSD-AF-02-PF: Profit & Loss	Profit & Loss- Foreign Currency Banking Unit (FCBU) Operations	Annually