



**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS No. 13 of 2017 UNDER FOREIGN EXCHANGE ACT, No. 12 of 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.



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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.



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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



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and evidence to that effect shall readily be available for inspections by Department of Foreign Exchange.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

Director - Department of Foreign Exchange

20 November 2017