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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

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பொதுப்பிடுகடன் திணைக்களம்

Public Debt Department

Ref: 08/21/005/107/001

12 December, 2018

**To: Foreign Investors and Non-Resident Sri Lankans**

**Guidelines/Procedures to Foreign Investors and Non- Resident Sri Lankans on the purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka**

- (A) The following Guidelines/Procedures which were applicable for the sale and purchase of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and Sri Lankan Diaspora and Migrant workforce are hereby rescinded with effect from 17 November 2017;
- (a) Guidelines/Procedures to Foreign Investors and Non-Resident Sri Lankans on the purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to Foreign Investors and Non-Resident Sri Lankans on 10 April 2013.
  - (b) Guidelines/Procedures to Foreign Investors and Non-Resident Sri Lankans on the purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to Licensed Commercial Banks and Primary Dealers on 10 April 2013.
- (B) The guidelines and procedures which are indicated below will be applicable with effect from 17 November 2017 in respect of the purchase and sale of Treasury bills and Treasury bonds issued by the Government of Sri Lanka to foreign investors and non-resident Sri Lankans.

**1. Eligible Investors**

Only the following categories of investors are eligible to invest in Treasury bills and Treasury bonds issued by the Government of Sri Lanka under this category:

- (a) A non-national resident in or outside Sri Lanka.
- (b) A non-national of Sri Lankan origin, who is 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 and 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. Investment**

Foreign investors and non-resident Sri Lankans referred to in (B)1 above (hereinafter referred to as “eligible investors”) are permitted to purchase Treasury bills and Treasury bonds issued by the Government of Sri Lanka, through Primary Dealers (PDs) and Licensed Commercial Banks (LCBs) (hereinafter referred to as “participating agents”).

Weblink for list of Licensed Commercial Banks:

<https://www.cbsl.gov.lk/en/authorized-financial-institutions/licensed-commercial-banks>

Weblink for list of Authorized Primary Dealers:

<https://www.cbsl.gov.lk/en/authorized-financial-institutions/registered-authorised-primary-dealers>

## **3. Registration**

Participating agents shall be responsible for registering details of their investors (account holders) at the Central Depository System (CDS) maintained by the Public Debt Department (PDD) of the Central Bank of Sri Lanka (CBSL) in terms of the Lanka Settle System Rules.

CDS will inform the aforementioned account holders in following instances.

- (a) A monthly statement confirming the transactions that have taken place/ recorded during the month
- (b) A semiannual statement confirming the outstanding balance of the account
- (c) A monthly statement of maturity proceeds/interest payments made to the account.

These statements will be addressed directly to the investor, as registered in the CDS.

## **4. Status**

The maturity proceeds of Treasury bills and Treasury bonds, and coupon payments on Treasury bonds due thereon are direct, unconditional, general, unsecured obligations of the Government of Sri Lanka and rank and shall rank pari passu without any preference among themselves with all other outstanding unsecured and un-subordinated obligations of the Government of Sri Lanka present and future.

## **5. Tenure**

Eligible investors are permitted to purchase or sell Treasury bills and Treasury bonds with any maturity period.

## **6. Payments for Treasury bills and Treasury bonds**

Eligible investors shall open a special account named **“Inward Investment Account (IIA)”** in an LCB and make payment for purchase of Treasury bills and Treasury bonds by crediting the said account. (Any eligible investor already maintaining an IIA with an LCB is not required to open a new account.) The eligible investor/participating agent shall make necessary arrangements with the LCB to transfer respective Rupee amounts to the relevant selling party.

## **7. Issue and Delivery of Treasury Bills and Treasury Bonds**

Treasury bills and Treasury bonds shall be issued in scripless form to eligible investors who have duly made payments as specified in (B)6 and by registering in the CDS as specified in (B)3 above.

## **8. Payment of Coupon and Maturity Proceeds**

Maturity proceeds on Treasury bills and Treasury bonds, and coupon payments on Treasury bonds shall be payable in Rupees by the PDD of the CBSL on behalf of the Government of Sri Lanka through RTGS to the respective participating agents on the respective dates. Such participating agents are responsible to transfer the respective payments to the IIA of eligible investors with proceeds value on the same day.

If the maturity date or the coupon payment date falls on a day which is not a business day for the banks in Sri Lanka, the payment of maturity proceeds shall be made on the business day prior to the due date in respect of a Treasury bill and the maturity proceeds and/or coupon payment shall be made on the business day after the due date in respect of a Treasury bond.

## **9. Repatriation**

All proceeds received by sale or maturing of Treasury bills and Treasury bonds and coupon payments on Treasury bonds shall be fully repatriable.

## **10. Joint Holdings**

Treasury bills and Treasury bonds may be held jointly by eligible investors. Payment of maturity proceeds and coupons shall be credited to IIA/IAs of joint holders, based on the agreement between LCB which maintains the IIA and joint holders.

## **11. Tax Treatment**

Interest income/ capital gains earned by foreigners out of investment in Treasury bills and Treasury bonds are not subject to taxation.

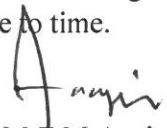
## **12. Stamp Duty**

All documents used on the issue, sale or redemption of Treasury bills and Treasury bonds are free from stamp duty.

## **13. Jurisdiction**

The courts in Sri Lanka shall have exclusive jurisdiction in respect of all matters relating to Treasury bills and Treasury bonds issued by the Government of Sri Lanka.

- (C) Further instructions in this regard will be issued by the Director of Foreign Exchange or the Superintendent of Public Debt as the case may be from time to time.



M Z M Aazim

**Superintendent of Public Debt**

Central Bank of Sri Lanka

## **Weblink to Foreign Exchange Regulations and Directions**

1. Regulations - 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.

<http://www.dfe.lk/web/images/rdevelopment/746c5bfe09dabd6139f57ff854f0f549-2045-56-E.pdf>

2. Direction No. 13 of 2017 under Foreign Exchange Act No. 12 of 2017 – Direction issued to Authorized Dealers on Inward Investment Account (IIA)  
<http://www.dfe.lk/web/images/rdevelopment/e4104f199aba29bc04edf45052895952-Directions-No.%2013%20of%202017-IIAs.pdf>