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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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1950-2010
60/growth & stability

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செலாவணிக் கட்டுப்பாட்டுத் திணைக்களம்

Exchange Control Department

7/8 මහල, අංක 30, ජනාධිපති මාවත,
කෑ. පෙ. 590, කොළඹ 01, ශ්‍රී ලංකාව

7/8 மாடி, இல. 30 சனாதிபதி மாவத்தை கொழும்பு I
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21st January 2011

DIRECTIONS TO AUTHORISED DEALERS

Dear Sir/Madam,

Outward Investment Account (OIA)

1. A general permission has been granted by the Hon. Minister of Finance in an Order published in the Gazette No1686/50 of 01.01.2011 allowing the investor categories of individuals and entities specified in sub paragraph 1.1 below (hereinafter referred to as "Resident Investors") to invest in shares of companies incorporated outside Sri Lanka and sovereign bonds issued by foreign governments and governmental organizations. A general permission has also been granted by the Controller of Exchange in an Order published in the Gazette No 1686/52 of 01.01.2011 allowing the Resident Investors other than the persons specified in Category 3 of sub paragraph 1.1 below to make payments to persons resident outside Sri Lanka in respect of setting up and maintenance of Branch, Liaison, Marketing, Agency, Project, Representative offices or other similar offices (hereinafter referred to as "Overseas Offices") outside the country.

1.1 Category 1: Companies other than companies limited by guarantee registered under the Companies Act, No. 07 of 2007.

Category 2: Partnerships registered in Sri Lanka

Category 3: Individuals resident in Sri Lanka.

2. In view of the above, Authorized dealers are hereby granted permission to open, maintain and operate accounts titled Outward Investment Accounts (OIA) in the name of Resident Investors subject to the stipulations set out in the above Gazettes and the following conditions.

- i) OIA should be operated as a foreign currency account in the domestic banking unit in designated foreign currencies.
- ii) Closure of any OIA requires the prior permission of the Controller of Exchange.
- iii) Any outward remittance from OIA shall be effected only after the submission of the documents at Annex I by a Resident Investor.

iv) Credits and Debits to OIA shall be confined to the following:-

(A) Credits:


- (a) Rupee proceeds of the eligible Resident Investor converted into foreign currency, up to the investment requirement, subject to the stipulations set out in the above Gazette Notifications and conditions of this direction.
- (b) Transfers from foreign currency accounts (except the foreign currency accounts specially permitted by the Controller of Exchange) of the Resident Investors.
- (c) Proceeds of a loan obtained from a foreign source with the prior permission from the Controller of Exchange in order to finance an overseas investment.
- (d) Inward remittances received as dividend payments in connection with the overseas investment.
- (e) Proceeds of sale and maturity of sovereign bonds.
- (f) Profits, margins and surplus funds received from the Overseas Offices.
- (g) Inward remittances received as management fees, consultancy fees and commissions related to the investments made through this account.
- (h) Inward Remittances received as sale proceeds of shares including capital gains and liquidation proceeds in the case of a liquidation of the overseas company and proceeds realized by closure of an Overseas Office.
- (i) Interest earned on funds lying to the credit of the account.

(B) Debits

- (a) Payments for acquisition of shares in overseas companies and sovereign bonds.
 - (b) Setting up and maintenance costs of Overseas Offices.
 - (c) Bank charges, broker fees, commissions related to the investments made through the OIA.
 - (d) Payments in foreign currency outside Sri Lanka for current transactions.
 - (e) Withdrawals in Sri Lanka Rupees.
- v) Rupee proceeds should be converted into foreign currency and be credited to OIA only after the fulfillment of all the requirements stipulated in the above Gazettes by a Resident Investor. Under no circumstances such funds shall be retained in OIA without making the investment.
- vi) Authorised Dealers shall obtain the following documents from the resident investor and submit such documents to the Controller of Exchange within a week of such collection.

- (A) Within three months from the outward remittance of foreign exchange the Authorised Dealers shall also obtain from the resident investor:
- (a) Certificate of Incorporation, Memorandum and Articles of Association of the new company incorporated outside the country in case of an investment in the shares of an unlisted company.
 - (b) Registration Certificate of Overseas Offices.
 - (c) Copies of the share certificates issued or any other evidence in respect of a share investment in an unlisted corporate incorporated outside Sri Lanka.
 - (d) Copies of share investment/enrolment Certificates issued to all resident employees who subscribed to an Employee Share Option Scheme.
- (B) On monthly basis statements from relevant Central Depository Systems of overseas Stock Exchanges with regard to the investments in listed shares of companies incorporated outside Sri Lanka and sovereign bonds issued by foreign governments and government organizations.
- (C) On an annual basis, the Audited accounts of the unlisted overseas companies and overseas offices.
- vii) If the Resident Investor fails to submit any of the above documents within the stipulated time period, the Authorised Dealers shall report such failure to the Controller of Exchange within one week of the expiration of such period.
- viii) The Authorised Dealers shall report on all transactions related to OIA to the Controller of Exchange as per the format at Annex II.

Yours faithfully


Controller of Exchange

Annex I

Check List of documents for Resident Investors

Following documents should be obtained for all foreign investments under this direction.

- (i) Request with the application form at Annex III
- (ii) Recommendation by a Fellow Member of the Institute of Chartered Accountants of Sri Lanka in the format at Annex IV.
- (iii) Clearance from the Exchange Control Department that there is no pending investigation under the provisions of Exchange Control Act.
- (iv) Affidavit at Annex V

In addition, following category-specific documents should also be obtained.

Category 1

- (i) Certificate of incorporation and Articles of Association
- (ii) Board Resolution on the proposed investments.

Category 2

- (i) Certified copy of the partnership agreement
- (ii) Tax clearances to cover the amount of investment by each partner.

Category 3

Tax Clearance to cover the investment amount

Annex II

Monthly Statement of Outward Investment Accounts (OIA)

Name of the Bank:

[illegible]

Annex III

Application form on Investments Abroad

1. General Information

- a. Name of the Company/Partnership/Individual:
- b. Registration No./NIC or Passport No.:

2. Details on Foreign Investment

2.1. Investment in shares of overseas companies

- a. Total amount to be Invested
- b. Name of Overseas Company
- c. Number of shares to be acquired
- d. Price of a share

2.2. Investments in Sovereign Bonds

- a. Total amount to be Invested
- b. Name of Issuer
- c. Number of bonds to be acquired
- d. Price of a bond

2.3. Investments for Setting up and maintenance of Overseas Offices

- a. Total amount to be Invested
- b. Type and purpose of Overseas office

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

Director:

Director:

Annex IV

Recommendation by..... a **Fellow Member of the Institute of Chartered Accountants for the release of foreign exchange for the purposes of the Gazette Notifications No. 1686/50 and No 1686/52 of 01.01.2011**

To: Manager

Branch:

Name of the Commercial Bank

I hereby confirm that the below investment was analyzed by me on the basis of the criteria laid down by the Controller of Exchange in that regard and recommend the said investment details of which are set out below.

Name of the Investor:

Amount in USD (or equivalent amount in other designated foreign currencies):

Details of the Investment:

Shares

Company:

No of shares:

Price of a share:

Sovereign Bonds

Issuer:

Number of bonds:

Price of a bond:

Overseas Offices

Company:

Country of investment:

Signature:

Date:

Annex V

Specimen affidavit to be submitted by investors specified in Category 1 of sub paragraph 1.1 of paragraph 1.

I..... (Full Name) (Holder of National Identity Card No. /Passport No.. of.....(Address).....being a (Buddhist/Hindu do hereby solemnly, sincerely and truly declare and affirm/Christian/Catholic/Muslim make oath and state) as follows.

1. I am the (affirmant/deponent above named and(Designation) of(name of the company)
2. I have been authorized by the board of directors of the (name of the Company) to submit this affidavit as per the attached letter of authorization.
3. I do hereby (affirm/state) that.... (name of the Company) has not remitted any funds to make overseas investments from any other Outward Investment Account in any other bank.
4. I further (affirm/state) the statements given above are true and correct.

The averments contained herein were read over to the
(affirmant/deponent) who having understood the contents
hereof and having accepted same as true, affirmed/swore to and
placed his/her signature at.....on this day of

Before me

(Justice of the Peace)

Specimen Affidavit to be submitted by Resident Investors specified in Category 2 and 3 of sub paragraph 1.1 of paragraph 1.

I.....(Full name)(Holder of National Identity CardNo/Passport No.....of.....(Address)being a (Buddhist/Hindu do hereby solemnly, sincerely and truly declare and affirm/Christian/Catholic/Muslim make oath and state) as follows.

1. I am the (affirmant/deponent above named.
2. I do hereby (affirm/state) that I have not remitted any funds to make overseas investments from any other Outward Investment Account in any other bank.
3. I also hereby (affirm/state) that I have not submitted an application to any bank to obtain the migrant allowance.
4. I further (affirm/state) the statements given above are true and correct.

The averments contained herein were
read over to the (affirmant/deponent) who
having understood the contents hereof and
having accepted same as true, affirmed/swore to
and placed his/her signature at.....on this day of

Before me.

(Justice of the Peace)

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