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Press Release

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Clarification on opening Special Deposit Accounts

The Central Bank of Sri Lanka (CBSL) wishes to categorically deny the views/concerns expressed/raised by few authorities and persons that the required due diligence processes are not followed by banks (Authorized Dealers - ADs) operating in Sri Lanka in opening and maintaining recently introduced Special Deposit Accounts (SDAs).

The Government of Sri Lanka in consultation with the Monetary Board of the CBSL has introduced the SDA with the view to seek assistance for the national effort to overcome the effects of COVID-19 outbreak by issuing Regulations dated 08.04.2020 under the provisions of the Foreign Exchange Act (FEA).

The exemptions from procedural requirements specified in the said Regulations allow an AD to directly credit funds to an SDA without routing such funds through an Inward Investment Account under normal circumstances. The said Regulations cannot exempt ADs from complying with provisions of FEA.

In this regard, section 7(6) of FEA requires ADs to request the person who engages in a capital transaction to provide information/documents or make any declaration when it is reasonably necessary to satisfy that the said transaction is in conformity with any other laws regulating such transactions, while section 9(5) of FEA requires ADs to keep required information on any foreign exchange transaction engaged in by such dealer for a period of six years for the purpose of statistical and monitoring purposes of the CBSL.

In view of the above, CBSL reiterates that the said exemptions in the Regulations on SDAs are not related to the requirements applicable under regulations, rules, guidelines, etc. issued by the Financial Intelligence Unit of CBSL on Anti Money Laundering (AML)/Countering the

Financing of Terrorism (CFT) and the provisions of FEA. Hence, SDAs are required to be opened and maintained strictly following such laws and requirements.