

PART III

PART III

ADMINISTRATIVE MEASURES ADOPTED BY THE GOVERNMENT AND THE MONETARY BOARD DURING THE YEAR RELATING TO THE FUNCTIONS AND OPERATIONS OF THE CENTRAL BANK AND BANKING INSTITUTIONS IN SRI LANKA

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Circular No. 01 of 2021

13 January 2021

SUSPENSION OF RECOVERY ACTIONS AGAINST SMALL AND MEDIUM ENTERPRISE (SME) PADDY MILLERS

Considering the Government initiatives to support the SME Paddy Millers amidst COVID-19 pandemic for the upcoming harvesting seasons, licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), are required to suspend recovery actions against SME Paddy Millers for a period of six months commencing from 1 January 2021 as specified below.

- (1) In the case where a licensed bank has commenced or given notice of recovery action under the provisions of the Recovery of Loans by Banks (Special Provisions) Act, No. 4 of 1990 or Mortgage Act No. 06 of 1949 as amended or Finance Leasing Act No. 56 of 2000 or any other relevant Act in this regard, such recovery actions shall be suspended on condition that the concerned licensed bank and the borrower reach a debt repayment agreement.
- (2) Licensed banks shall defer passing new resolutions under the above Acts, for recovery of loans and advances. In instances where resolutions for recovery have already been passed, auctioning of assets will be suspended until 30.06.2021.
- (3) In instances where there are on-going litigations in courts relating to recovery, borrowers will be permitted to enter into an agreement by submission of affidavit to Courts agreeing to comply with the requirements set out in (1) above.
- (4) Licensed banks shall suspend any other legal or recovery action until 30.06.2021.

Prof. W D Lakshman

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

Banking Act Directions No. 01 of 2021

19 January 2021

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 outbreak and the importance of maintaining appropriate levels of liquidity and capital buffers in the licensed banks, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

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| 1. Empowerment | 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act No. 30 of 1988, as amended, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all or any licensed bank, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. |
| 2. Scope of Application | 2.1 These Directions shall be applicable to every licensed bank incorporated or established in Sri Lanka and every licensed bank, which is a branch of a bank incorporated or established outside Sri Lanka, on a standalone basis. |
| 3. Restrictions on Discretionary Payments | <p>3.1 Every licensed bank incorporated or established in Sri Lanka shall defer payment of cash dividends until the financial statements for the year 2020 are finalised and audited by its External Auditor.</p> <p>3.2 Every licensed commercial bank incorporated outside Sri Lanka shall defer repatriation of profits not already declared for financial years 2019 and 2020 until the financial statements for the year 2020 are finalised and audited by its External Auditor.</p> <p>3.3 Licensed banks shall give due consideration to the requirements of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, expected assets growth, business expansion and the impact of COVID-19 pandemic when deciding on payments of cash dividends and profit repatriation.</p> <p>3.4 Licensed banks shall adhere to the following with immediate effect, until 30 June 2021.</p> |

- (a) refrain from buying-back of its own shares;
- (b) refrain from increasing management allowances and payments to Board of Directors;
- (c) exercise prudence and refrain to the extent possible from incurring non-essential expenditure such as advertising, business promotions, gift schemes, entertainment, sponsorships, travelling and training etc.; and
- (d) exercise extreme due diligence and prudence when incurring capital expenditure, if any.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 02 of 2021

25 January 2021

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE BY LICENSED COMMERCIAL BANKS

Issued in terms of the powers conferred by Section 46(1) of the Banking Act No. 30 of 1988, as amended.

In view of the need to avoid excess volatility in the foreign exchange market and the impact on banks' risk management, licensed commercial banks are hereby informed to refrain from entering into forward contracts of foreign exchange for a period of three months with immediate effect.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Direction No. 03 of 2021

25 January 2021

AMENDMENTS TO DIRECTIONS ON CAPITAL REQUIREMENTS UNDER BASEL III FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

Banking Act Directions No. 1 of 2016 on Capital Requirements under Basel III for licensed commercial banks and licensed specialised banks are hereby amended by replacing the following Directions.

SCHEDULE I

Appendix IV

PART III(A) – COMPUTATION OF RISK WEIGHTED AMOUNT FOR CREDIT RISK

Web Based Return Code	Assets	Risk Weight (%)
20.3.1.1.1.2	Foreign Claims on Central Government All foreign claims on Government of Sri Lanka (The revised risk weight is applicable for the year 2021 only)	10
20.3.1.9.0.0	Claims Secured by Residential Property The amount must agree with the sum of the claims secured by residential property that qualify for regulatory capital purposes and claims secured by residential property that do not qualify for regulatory capital purposes. (WBRC 20.3.1.9.1.0 to 20.3.1.9.2.0) The exposures secured by mortgages on commercial real estates shall be excluded from here.	
20.3.1.9.1.0	Claims that Qualify for Regulatory Capital Purposes a) Subject to conditions below, residential housing loans fully secured by a primary mortgage over such residential property that is or will be occupied by the borrower or rented.	35

	<p>b) The claims should strictly meet the following qualifying criteria to be able to use the preferential risk weight:</p> <ul style="list-style-type: none"> • A margin of at least 25% on the forced sale value of the property based on the latest valuation report; • Valuation of property: valuation of property is carried out by an external independent valuer or current internal assessment of the value of the properties subject to the conditions stated in the Directions on Classification of Loans and Advances, Income Recognition and Provisioning issued under Banking Act. <p>c) Mortgages other than primary mortgages will qualify for the same risk weight, subject to the above conditions, if:</p> <ul style="list-style-type: none"> • The mortgage is with the same bank • The purpose of the loan is for residential purposes. 	
20.3.1.9.2.0	<p>Claims that do not Qualify for Regulatory Capital Purposes Performing claims that do not meet the criteria given above.</p>	100

Prof. W D Lakshman

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

Circular No. 02 of 2021

25 January 2021

**AMENDMENTS TO CIRCULAR NO. 04 OF 2018 ON GUIDELINES TO LICENSED BANKS ON THE
ADOPTION OF SRI LANKA ACCOUNTING STANDARD – SLFRS 9: FINANCIAL INSTRUMENTS**

The Central Bank of Sri Lanka, having considered the current exceptional circumstances, latest Budget proposal on International Sovereign Bonds and with a view to establishing consistent practices on the adoption of Sri Lanka Accounting Standard – SLFRS 9: Financial Instruments by licensed banks, hereby issues the amendment to the Annex I of the Circular No. 04 of 2018 on Guidelines to Licensed Banks on the Adoption of Sri Lanka Accounting Standard – SLFRS 9: Financial Instruments.

Guideline 2.5 (c) shall be inserted immediately after Guideline 2.5 (b) as follows:

2.5 (c) However, it is permitted to apply a minimum LGD of 10 per cent when computing expected losses for the year 2021.

Director of Bank Supervision

Circular No. 03 of 2021

10 March 2021

**CONCESSIONS FOR LEASE FACILITIES OBTAINED BY
BUSINESSES AND INDIVIDUALS IN PASSENGER TRANSPORTATION SECTOR**

With a view to meeting the challenges faced by businesses and individuals engaged in passenger transportation sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks), to provide concessions for lease facilities obtained by COVID-19 affected businesses and individuals engaged in passenger transportation services (hereinafter referred to as the Scheme) for six months commencing from 1 April 2021 as specified below.

Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks.

1. Period of deferment of lease installments

1.1 Licensed banks shall defer the lease installments for a period not exceeding 6 months commencing from 1 April 2021 or a shorter period as applicable, considering the financial difficulties faced by the eligible borrowers.

1.2 The lease installment (both capital and interest) shall be deferred on the request made by affected borrowers.

2. Deadline for submission of the application

- 2.1 Eligible borrowers may request on or before 19 April 2021, for deferring the lease Installments in writing or through electronic means. Licensed banks shall expeditiously communicate the concessions, deadline and application format for submission to all eligible borrowers via printed and/or electronic means including email and SMS.
- 2.2 Licensed banks shall accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable.

3 Eligible borrowers

- 3.1 Businesses and individuals engaged in providing public passenger transportation, private passenger transportation such as school transport service, office transport service, taxis including three wheelers, etc. and providing passenger transportation services to tourism sector.
- 3.2 Licensed banks may request the eligible borrower to submit necessary documentation to ensure that the vehicle is used to provide passenger transportation to the sectors referred in 3.1 above.

4 Eligible credit facilities

Performing lease facilities including lease facilities under moratorium as at 31 March 2021 obtained by eligible borrowers referred to under paragraph 3 above.

5 Structuring of the concession

- 5.1 Extending the existing tenure of lease facilities
 - (a) Licensed banks shall extend the existing tenure of lease facilities eligible for deferment by the respective period of deferment.
 - (b) Licensed banks may charge an interest rate for the deferred period only on the lease instalments falling due during the deferred period, not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 1 per cent per annum.
 - (c) Such interest shall be recovered from April 2023 along with the existing lease installment falling due during this period. In the case where, the remaining tenure of the lease facility ends before April 2023, financial institutions may commence recovery of such interest at the completion of the remaining tenure of the lease facility.
 - (d) Once the remaining tenure of the existing lease facility is over, borrowers shall commence repayment of the deferred installments referred to in paragraph 5.1(a) above.
- 5.2 Recovery of amounts due on the moratorium
 - (a) Considering that the use of public and private transportation is gradually returning to normalcy due to reopening of schools (monthly payments being collected uninterrupted by many transport providers), offices, airport, etc., potential impact of the extended debt moratoriums on the licensed banks, and the ongoing vaccination program, licensed banks shall commence recovery of installments falling due in relation to the moratorium granted during 01 April 2019 to 31 March 2020, 01 April 2020 to 30 September 2020 and 01 October 2020 to 31 March 2021 (hereinafter referred to as moratoriums), as applicable, during the deferred period of the existing lease facility referred to in paragraph 5.1(a) above.
 - (b) Once the deferred period of the existing lease facility (referred to in paragraph 5.1(a) above) is over, the repayment of the installments due on the moratoriums shall be deferred until the remaining tenure including the deferred period of the existing lease facility is over.
 - (c) For such deferred period of the installments due on the moratoriums, interest shall accrue at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 1 per cent per annum.
 - (d) Such interest shall be recovered immediately after completing the payment of interest referred to in 5.1(b) and (c) above along with the installments on the existing lease facility and deferred installments relating to moratoriums, as applicable.
 - (e) Once the remaining tenure including the deferred period of the existing lease facility is over, borrowers shall commence repayment of the deferred installments relating to the moratoriums referred to in paragraph 5.2(b) above.
- 5.3 If the borrower submits a written request to settle the lease instalments falling due during the deferred period including the dues of moratoriums and interest for the deferred period, early, licensed banks shall facilitate such requests. In such case,

licensed bank and the borrower shall agree on the structure, interest rate and the tenure. The interest rate shall be in line with the current market rate.

- 5.4 Licensed banks may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. In such case, licensed banks shall clearly explain the interest computation under all options including the structure proposed in this Circular to the borrower, prior to approving such concession.
- 5.5 Licensed banks shall waive off the penal interest accrued and unpaid as at 01 April 2021, if any. Penal interest shall not be accrued and charged during the period of deferment.
- 5.6 Licensed banks shall not levy excessive fees or charges in relation to granting of the concessions.
- 5.7 In the case of declined requests, licensed banks shall clearly mention the reason for such decline.

6 Accounting considerations on the deferment of lease installments

Licensed banks shall account for the deferment of lease installments as per Sri Lanka Accounting Standards and any additional guidance provided by CA Sri Lanka (CASL) on Financial Reporting implications due to the outbreak of COVID-19. Licensed banks may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7 Reporting requirement

Licensed banks shall report the details of deferment of lease installments availed by their borrowers to the Bank Supervision Department as at the 30th of each month, within 15 working days, commencing 01 May 2021, as per the attached format.

Prof. W D Lakshman

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

Annex 1 of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_3_of_2021_e.pdf

Banking Act Direction No. 04 of 2021

18 March 2021

INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka with a view to easing pressure on the exchange rate and considering the substantial amount of possible/potential outflow of foreign exchange by banks and its impact on banks' risk management, licensed commercial banks and National Savings Bank are hereby informed to suspend the purchase of Sri Lanka International Sovereign Bonds with effect from 23 March 2021 until 09 April 2021.

Prof. W D Lakshman

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

Circular No. 04 of 2021

19 March 2021

EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY

With a view to meeting the challenges faced by businesses and individuals engaged in tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks), to extend the debt moratorium granted for tourism sector under Circular No. 08 of 2020 dated 26 August 2020 for another six months commencing 1 April 2021 as specified below. However, licensed banks may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. The aforementioned extension is granted in order to provide adequate time for borrowers to come up with proposals for a long-term arrangement. Therefore, borrowers shall submit acceptable plans to licensed banks for restructuring of credit facilities over a long period of time, prior to the expiry of the extended moratorium period. Such plans

shall be assessed on a case-by-case basis by licensed banks. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks.

The following provisions of the Circular No. 08 of 2020 have been amended and other provisions of the cited Circular will remain unchanged:

1. General Terms and Conditions

- 1 (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of six months commencing 1 April 2021 to 30 September 2021.
- 1 (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant licensed bank on or before 19 April 2021. Licensed banks are requested to accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable. Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for this extension.

2. Structuring the debt moratorium

- 2 (i) Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1 April 2021 to 30 September 2021 into a term loan. Licensed banks may amalgamate the capital and interest falling due during the previous moratorium granted with the capital and interest falling due during 1 April 2021 to 30 September 2021, except for EMI loans for which the interest rate for the moratorium period is capped at 7 per cent per annum.
- 2 (ii) Licensed banks may commence recovery of such converted loan once the extended moratorium period is over.
- 2 (v) Licensed banks shall waive off the accrued and unpaid penal interest as at 1 April 2021, if any, on credit facilities considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

Prof. W D Lakshman
**Chairman of the Monetary Board and Governor
of the Central Bank of Sri Lanka**

Banking Act Directions No. 05 of 2021

09 April 2021

INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka with a view to easing pressure on the exchange rate and considering the substantial amount of possible/potential outflow of foreign exchange by banks and its impact on banks' risk management, requires the licensed commercial banks and National Savings Bank to suspend the purchase of Sri Lanka International Sovereign Bonds until 23 April 2021.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 01 of 2021

21 April 2021

PRIORITY SECTOR LENDING TARGETS FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS TO THE MICRO, SMALL AND MEDIUM SCALE ENTERPRISES SECTOR

Having recognised the need to promote economic sectors with high potential in terms of domestic economic growth and export earnings, leading to the broad-based revival of the economy, CBSL introduces priority sector lending target on credit granted by licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to individuals and businesses in the Micro, Small and Medium Enterprises (MSME) sector, as follows:

1. Empowerment
- 1.1 In terms of Section 101 (1) (b) of the Monetary Law Act No. 58 of 1949 (as amended), the Monetary Board may from time to time fix limits to the rate at which the amount of loans and investments may be increased within specified periods by licensed banks.

2. Priority Sector Lending Target
 - 2.1 Licensed banks shall grant credit to individuals and businesses in MSME sector and ensure a growth rate of not less than 20 per cent per annum on Y-o-Y basis, over the outstanding stock of lending to MSMEs at the end of the previous year.
 - 2.2 The lending target in 2.1 above shall be prioritised in the following economic sub-sectors that display higher potential in terms of domestic growth and export earnings within the broader MSME sector, but shall not be restricted to the said sectors:
 - (i) Food and beverage processing
 - (ii) Production of medical utilities and related products
 - (iii) Development of distance learning facilities
 - (iv) Domestic cottage industry
 - (v) Rubber and rubber products
 - (vi) Ship and boat building
 - (vii) Cosmetics
 - (viii) Batik and handloom
 - (ix) Gem and Jewellery
 - (x) Health and wellness
 - (xi) Electronics and electrical components
 - (xii) Motor vehicle assembly
 - (xiii) Pharmaceutical manufacturing
 - (xiv) Porcelain, ceramics, and pottery
3. Applicability
 - 3.1 Credit facilities shall include term loans, leasing, overdrafts, and trade finance facilities including off-balance sheet exposures, denominated in the Sri Lankan Rupee and foreign currencies granted by licensed banks to all businesses and individuals in MSME Sector in Sri Lanka.
 - 3.2 Enterprises with an annual turnover not exceeding Rs. 1,000 mn will be considered as MSMEs for the purpose of this Order in line with the definition of SME provided in Banking Act Directions No. 07 of 2020 on Amendments to the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Commercial Banks and Licensed Specialised Banks.
4. Exclusions
 - 4.1 Advances for pawning granted by licensed banks to individuals and businesses in MSME sector shall be excluded from the priority sector lending target in 2.1 above.
5. Monitoring and Reporting
 - 5.1 Licensed banks shall have a continuous monitoring mechanism once credit facilities under this Order are disbursed.
 - 5.2 Licensed banks shall report details of lending to MSMEs in the format in Annex I, to the Director of Economic Research and the Director of Bank Supervision within 30 days from the end of each quarter commencing 01 April 2021.

Prof. W D Lakshman

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

Annex 1 of this MLA Order can be accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_monetary_law_act_order_1_of_2021_e.pdf

Banking Act Directions No. 06 of 2021

23 April 2021

**INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED
COMMERCIAL BANKS AND NATIONAL SAVINGS BANK**

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka with a view to easing pressure on the exchange rate and considering the substantial amount of possible/potential outflow of foreign exchange by banks and its impact on banks' risk management, requires the licensed commercial banks and National Savings Bank to suspend the purchase of Sri Lanka International Sovereign Bonds until further notice.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 07 of 2021

25 April 2021

FORWARD SALES AND PURCHASES OF FOREIGN EXCHANGE BY LICENSED COMMERCIAL BANKS

Issued in terms of powers conferred by Section 46(1) of the Banking Act No. 30 of 1988, as amended.

In view of the need to avoid excess volatility in the foreign exchange market and the impact on banks' risk management, licensed commercial banks (LCBs) shall refrain from entering into forward contracts of foreign exchange with value date beyond Spot date except for the following, until further notice.

- (i) Forward purchases of foreign exchange from their customers including from exporters.
- (ii) Facilitate SWAP arrangements on foreign exchange borrowings of Licensed Specialised Banks and Licensed Finance Companies regulated by the Central Bank of Sri Lanka (CBSL), in order to hedge their FX exposures arising from foreign currency borrowings, approved by CBSL.
- (iii) Facilitate SWAP arrangements on foreign exchange borrowings of corporate clients in order to hedge their FX exposures arising from foreign currency borrowings, approved by CBSL.
- (iv) Amend/extend the value date of existing forward/SWAP contracts of clients at historical rates based on express requests from clients, after verifying the bona fide of the transactions.
- (v) Enter into inter-bank forward and SWAP transactions with single counterparty (i.e. only between two banks).
- (vi) Enter into forward cross currency transactions.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 08 of 2021

25 May 2021

**AMENDMENTS TO BANKING ACT DIRECTIONS NO. 11 OF 2018 ON
FOREIGN CURRENCY BORROWINGS BY LICENSED BANKS**

The Monetary Board of the Central bank of Sri Lanka having considered the need to stimulate capital formation within the real economy and supplement the foreign currency needs of the country, hereby issues the following amendments to Banking Act Directions No. 11 of 2018 on foreign currency borrowings by licensed banks.

Accordingly licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, are hereby informed that:

1. With immediate effect, for a period of one year, the existing short-term foreign currency borrowing limits are revoked, while maintaining the existing total foreign currency borrowing limit up to 10 per cent subject to the licensed banks ensuring, through appropriate risk mitigation practices, that such foreign currency borrowings do not give rise to any excessive foreign exchange risk and informing details specified in Direction 9.1 of the Banking Act Directions No. 11 of 2018 on foreign currency borrowings by licensed banks to the Director of Bank Supervision, prior to such borrowings.
2. Licensed banks shall ensure compliance with all other Directions of the cited Directions.

3. Licensed banks shall report the position of total foreign currency borrowings as at end of each month to the Bank Supervision Department, within 15 working days, commencing 30 June 2021, as per the attached format.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex 1 of these Directions can be accessed via https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_8_of_2021.pdf

Circular No. 05 of 2021

25 May 2021

CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

With the outbreak of the third wave of COVID-19 in Sri Lanka, requests from many concerned parties and Government Authorities were received by the Central Bank of Sri Lanka (CBSL) to consider granting certain concessions to the affected borrowers/customers. Accordingly, with a view to meeting the challenges faced by businesses and individuals due to the third wave of COVID-19, CBSL requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), to extend the following concessions to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme). Further, licensed banks may offer additional concessions to businesses and individuals affected due to the third wave of COVID-19, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks, with a view to easing the burden on the borrowers of banks that are affected by the current disruption in business /income generating activities to duly repay their loans.

1. Deferment or restructuring of existing credit facilities in the performing category as at 15 May 2021

- (a) Licensed banks shall defer recovery of capital, interest, or both of the existing credit facilities of borrowers who are affected by the third wave of COVID-19, on a case-by-case basis, during the period up to 31 August 2021, considering the financial difficulties faced by the eligible borrowers, such as loss of job, loss or reduction of income/salaries or sales, closure of business, etc.
- (b) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted in Rupees or in foreign currencies, considering the financial difficulties and repayment capacity of the eligible borrowers.
- (c) In the case of any Rupee facilities considered for the above deferment, licensed banks may charge an interest rate not exceeding the 364-days Treasury Bills auction rate as at 19 May 2021 plus 1 per cent per annum (i.e., 5.18% + 1% = 6.18% p.a.), for the deferred period and only on the amount deferred amount. In the case of foreign currency loans, licensed banks may charge a concessionary interest rate considering the prevailing low interest rates.
- (d) Alternatively, licensed banks may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on an interest rate, considering the prevailing low interest rates.
- (e) Licensed banks shall extend the due dates of revolving credit facilities, including but not limited to facilities such as working capital, pawning, temporary overdrafts, short-term trade finance facilities, etc., during the period up to 31 August 2021, provided such due dates fall during 15 May 2021 to 31 August 2021. Licensed banks may charge interest for the deferred period and only on the amount deferred amount as stated in 1 (c) above.
- (f) Penal interest shall not be accrued or charged during the concessionary period, i.e., 15 May 2021 to 31 August 2021.
- (g) Licensed banks shall accommodate any request from affected borrowers to delay the due dates of loans repayment by few days (maximum 10 working days) due to the ongoing travel restrictions, without deferring or re-structuring such facilities. Licensed banks shall not charge any additional interest or other charges for such delay.
- (h) Borrowers who are currently enjoying deferment of lease repayments under Circular No. 03 of 2021 issued on 13 March 2021 or moratorium under Circular No. 04 of 2021 issued on 19 March 2021 are not eligible for concessions provided above.

2. Concessions for credit facilities in the non-performing category as at 15 May 2021

- (a) Licensed banks may reschedule the existing non-performing credit facilities as at 15 May 2021, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on the terms and conditions including the interest rate.

- (b) Licensed banks shall waive-off penal interest accrued or charged during the period 1 April 2020 to 15 May 2021, provided such facilities are considered for rescheduling under this scheme.
- (c) Licensed banks shall suspend all types of recovery actions until 31 August 2021, against credit facilities that have been classified as non-performing on or after 01 April 2020.
3. Licensed banks shall not levy excessive fees or charges in relation to granting of concessions.
4. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,000 until 30 June 2021.
5. Licensed banks shall discontinue charging for cheque returns and stop payments in relation to all cheque payments until 30 June 2021.
6. Licensed banks shall discontinue late payment fee on credit cards and other credit facilities during the period up to 30 June 2021, for those who are demonstrably affected.
7. Licensed banks shall not charge any early settlement fee, in the case where a borrower has expressed his willingness to settle his/her existing credit facilities on or before 31 August 2021, instead of opting for the deferment or restructuring of the existing credit facility/facilities.
8. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka
- (a) Licensed banks shall not decline loan applications from eligible borrowers under this Scheme solely based on an adverse CRIB record.
- (b) Licensed banks, in consultation with CRIB, shall develop a reporting modality to report deferment/ restructuring granted under this Scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.
- 9. Deadline for submission of request**
- (a) Eligible borrowers may request for the above concessions on or before 21 June 2021 in writing or through electronic means. Licensed banks shall expeditiously communicate the concessions, deadline, and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- (b) Licensed banks shall accept any request submitted after 21 June 2021, if the reasons for delay in making such request is acceptable.
- (c) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for deferment or restructuring of credit facilities.
- (d) Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of declined requests, licensed banks shall clearly mention the reasons for such decline.

10. Accounting considerations on the moratorium

Licensed banks shall account for the concession granted under this scheme as per Sri Lanka Accounting Standards and additional guidance provided by CBSL under Circular No. 09 of 2020 dated 28 October 2020. Licensed banks may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

11. Reporting requirement

Licensed banks shall report the details of concessions availed by their borrowers to the Bank Supervision Department as at 30th of each month, within 15 working days, commencing 30 June 2021. The reporting format will be circulated in due course.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 06 of 2021

07 June 2021

PROVISION OF BANKING SERVICES AMIDST THE COVID-19 OUTBREAK

The Central Bank of Sri Lanka (CBSL), upon obtaining approval/consent of the Director General of Health Services and the Inspector General of Police (IGP), has already requested licensed commercial banks and licensed specialised banks (licensed banks) to carry out essential banking services, strictly adhering to all relevant safety measures and guidelines issued in providing banking services under the on-going travel restrictions to control the spread of COVID-19.

1. Accordingly, all licensed banks shall make necessary arrangements to provide uninterrupted banking services during the COVID-19 outbreak complying with the following:
 - (i) Opening of bank branches only to provide essential services such as trade financing, treasury operations, clearing activities, payment of pensions/salaries, responding to other urgent requests/inquiries of customers, etc.;
 - (ii) The number of staff permitted to report to work in branches of licensed banks shall not exceed 15 per branch;
 - (iii) Staff shall report to work on a roster basis, or the branches shall only be opened on specified days taking note of specific requirements of customers of each branch; and
 - (iv) Branch Managers shall obtain prior approval of the nearest Police Station for the travel of the relevant staff by producing a request letter containing relevant information including those provided in the specimen Annexed.
2. Licensed banks shall:
 - (i) Publish notices informing the general public how essential banking services can be obtained;
 - (ii) Take adequate measures to keep the banks' customers informed of the contact details for obtaining essential banking services during this period, including display of contact details of branch staff at the branch and Hot-line numbers, considering the various preferred modes of transacting;
 - (iii) Ensure that the customer inquiries are answered and resolved expeditiously; and
 - (iv) Continue to facilitate use of electronic/digital channels, including Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs), Cash Recycling Machines (CRMs), and mobile banking vehicles.

Prof. W D Lakshman
**Chairman of Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex 1 of this Circular can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_6_of_2021_e.pdf

Banking Act Directions No. 09 of 2021

16 June 2021

RECOVERY PLANS FOR LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

In terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board hereby issues these Directions on the requirement of maintaining Recovery Plans (RCP) for licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks).

- | | |
|---|---|
| 1. Empowerment | 1.1 In terms of Sections 46(1) and 76J(1) of the Banking Act, the Monetary Board is empowered to issue Directions to all licensed banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted. |
| 2. Scope of Application | 2.1 RCP shall identify the full range of recovery options available to a licensed bank to deal with shocks to capital, liquidity and all other aspects that may arise from institution-specific stresses, market-wide stresses, or a combination of both.

2.2 Each licensed bank shall have an RCP in place and the RCP shall include the following:
(a) Scope of RCP formulated considering the nature, scale, complexity, and interconnectedness of the licensed bank.
(b) Entities of the banking group covered under the recovery framework. |
| 3. Critical Functions and Critical Shared Services | 3.1 Critical functions and critical shared services shall be clearly identified and defined in RCP.

3.2 Critical functions and critical shared services shall be organised in a way that ensures the continuous availability of shared services to the entire bank under the possible recovery and resolution options. |
| 4. Recovery Triggers and Indicators | 4.1 Each licensed bank shall identify recovery indicators, recovery triggers, recovery actions and conditions for activation of resolution measures.
(a) The recovery plan shall include appropriate indicators, triggers, and procedures to ensure the timely implementation of recovery actions. |

- (b) Identified indicators and triggers shall comprise a range of quantitative and qualitative triggers.
- (c) Quantitative indicators and triggers should be set at levels above the associated supervisory requirements, wherever applicable.
- (d) In addition to such triggers, early warning indicators shall be used to identify negative trends for monitoring.
- 5. Recovery Options**
- 5.1 An RCP shall identify the full range of credible and flexible recovery options available to a bank to deal with shocks to capital, liquidity and all other aspects that may arise from institution-specific stresses, market-wide stresses, or a combination of both, and shall include the following as a minimum:
- (a) The anticipated impact or result of the option in terms of capital, liquidity and/or any other area, if any.
- (b) Time and resources required to implement the option.
- (c) Potential impediments to implementation of the option.
- (d) Actions being taken to remedy the impediments.
- (e) Details on costs of implementation.
- (f) Details on option-specific communication planning.
- 5.2 Recovery options of a bank shall be capable of being executed within a reasonable timeframe and sustainability and viability of the options must be evaluated intensely.
- 5.3 RCP shall take into account any legal, reputational, and operational impediments on recovery and formulate processes to ensure timely implementation of recovery options.
- 5.4 Each licensed bank shall appropriately include Business Continuity Planning (BCP) arrangements when formulating RCPs.
- 6. Board of Directors and Management**
- 6.1 Each licensed bank shall appoint a member of the senior management to oversee its RCP process and shall put in place a robust governance structure and sufficient resources to support RCP process. The roles and responsibilities of each person involved in RCP process should be clearly assigned within the bank and specified in RCP.
- 6.2 RCP shall be approved or endorsed by the Board of Directors for a locally incorporated licensed bank and the regional/ global head office for a licensed bank incorporated outside Sri Lanka.
- 6.3 RCP shall be a dynamic process and be updated at least annually and must be integrated with the existing risk management framework and processes.
- 6.4 Clear responsibilities of key management personnel, respective departments / divisions, and other relevant officers for formulating, maintaining/regularly reviewing, executing, and activating the RCP shall be assigned and documented.
- 6.5 Licensed banks incorporated outside Sri Lanka shall inter alia include the following in their RCP:
- (a) The manner in which the local operations are integrated to the recovery and resolution framework of the parent bank.
- (b) Brief description of the submissions made to the home regulator on RCP, if any.
- (c) A copy of the written undertaking supported by a resolution of the Board of Directors of the head office or parent body, under section 3 (2) (c) (i) of the Banking Act No. 30 of 1988 as amended, stating that such bank as the case may be, shall on demand by the Central Bank, provide funds as may be necessary to meet all obligations incurred in or in connection with its business in Sri Lanka.
- 7. Management Information and Communication Planning**
- 7.1 Each licensed bank shall maintain information within the prevailing management information systems that are capable of producing information necessary for recovery process of the bank.
- 7.2 Each licensed bank shall maintain up to date information on following areas, but not limited to:

- (a) List of depositors including, account number, deposit type, deposit balance, contact details and any other relevant details.
- (b) Information on all contracts of the licensed bank.
- (c) Information on intra-group transactions.
- 7.3 A communication plan shall be in place to ensure timely communication with internal and external stakeholders on RCP.
- 8. Regulatory Submissions**
- 8.1 Commencing 2022, licensed banks with assets above Rs. 1 Trillion shall formulate and submit RCPs to Director of Bank Supervision (DBS) annually, by 30 June of each year or whenever the recovery plan is significantly amended.
- 8.2 Commencing 2022, licensed banks with assets below Rs. 1 Trillion shall maintain RCPs from 30 June 2022 and such RCPs will be subjected to review during the statutory examination of the respective bank.
- 8.3 Licensed banks shall immediately inform the Director of Bank Supervision when a bank reaches a trigger point activating RCP actions or when a licensed bank is experiencing a high level of stress.
- 8.4 A model format providing a broad template for licensed banks to draft RCPs is attached in Schedule I. However, a fair degree of variation in the depth and presentation of RCPs is expected, based on the size, banking business model, complexity, interconnectedness, risk profile and systemic importance of each bank.
- 9. Interpretations**
- 9.1 Critical functions shall mean activities performed for third parties where failure would lead to disruption of services vital for the functioning of the real economy and for financial stability due to size or market share, external and internal interconnectedness, and complexity or cross-border activities of the banking group.
- 9.2 Critical shared services shall mean activities performed within the firm or outsourced to third parties, where failure would lead to the inability to perform critical functions and, therefore, to disruption of services vital for the functioning of the real economy or for financial stability.
- 9.3 Third parties shall include all entities or individuals that have entered into a business relationship with the licensed bank.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Schedule 1 of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_9_of_2021.pdf

Banking Act Directions No. 10 of 2021

16 June 2021

INVESTMENTS IN SRI LANKA INTERNATIONAL SOVEREIGN BONDS BY LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

1. The Central Bank of Sri Lanka (CBSL) hereby revokes the Banking Act Directions No. 06 of 2021 dated 23 April 2021 on Investments in Sri Lanka International Sovereign Bonds (ISBs) by Licensed Commercial Banks (LCBs) and National Savings Bank (NSB), subject to the conditions set out in this Direction.
2. LCBs and NSB may purchase ISBs in the secondary market subject to the following conditions:
 - (i) Source of funds to be limited to fresh borrowings from overseas and it should be established to the satisfaction of the CBSL. For this purpose, LCBs and NSB are required to provide documentation of the borrowings overseas as specified in Direction 9.1 of the Banking Act Directions No. 11 of 2018 on Foreign Currency Borrowings by Licensed Banks, to the Director of Bank Supervision (DBS).
 - (ii) Investment of funds sourced as per 2 (i) above in Sri Lanka Development Bonds (SLDBs) and ISBs in the proportion of 50 per cent each, and LCBs and NSB shall submit the following information on their investments in ISBs and SLDBs to DBS and the Superintendent, Public Debt Department.

- a. Date of investment
 - b. International Securities Identification Number (ISIN)
 - c. Amount invested in ISBs and SLDBs
- (iii) LCBs and NSB to adopt risk mitigation measures to prevent maturity mismatches between the borrowings and the ISB/SLDB investments, adopting appropriate risk mitigation arrangements to bridge any short-term maturity mismatches that may occur, in addition to other risk mitigation measures already prescribed/followed.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Order No. 01 of 2021

18 June 2021

BANKING (OFF-SHORE BANKING BUSINESS SCHEME) ORDER DESIGNATED FOREIGN CURRENCIES

Order made by the Monetary Board of the Central Bank of Sri Lanka with the approval of the Minister, under Sections 23, 25 and 26 of the Banking Act, No. 30 of 1988, as amended.

1. Designated Foreign Currencies
 - 1.1 The foreign currencies set out in the Schedule below in this Order are determined as the Designated Foreign Currencies under the Banking (Off-Shore Banking Business Scheme) Order.
 - 1.2 The Schedule in this Order, replaces the Schedule in the Banking (Off-Shore Banking Business Scheme) Order No. 01 of 2011, dated 27.10.2011.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Schedule

Designated Foreign Currencies

- | | |
|-----------------------|--------------------------|
| 1. Australian Dollar | 9. Norwegian Kroner |
| 2. Canadian Dollar | 10. Pound Sterling |
| 3. Chinese Renminbi | 11. Singapore Dollar |
| 4. Danish Kroner | 12. Swedish Kroner |
| 5. Euro | 13. Swiss Franc |
| 6. Hongkong Dollar | 14. Thai Baht |
| 7. Japanese Yen | 15. United States Dollar |
| 8. New Zealand Dollar | |

Banking Act Directions No. 11 of 2021

13 July 2021

RESTRICTIONS ON DISCRETIONARY PAYMENTS OF LICENSED BANKS

The Monetary Board of the Central Bank of Sri Lanka (CBSL), having considered the possible adverse impact on liquidity and other key performance indicators of licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) due to the COVID-19 outbreak and the importance of maintaining appropriate levels of liquidity and capital buffers in licensed banks while managing cash flows prudently, hereby issues these Directions on restrictions on discretionary payments of licensed banks.

1. **Empowerment**
 - 1.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76J (1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.

2. **Scope of Application** 2.1 These Directions shall be applicable to every licensed bank incorporated in Sri Lanka and every licensed bank, which is a branch of a bank incorporated or established outside Sri Lanka, on a standalone basis.
3. **Restrictions on Discretionary Payments** 3.1 Every licensed bank incorporated or established in Sri Lanka shall defer payment of cash dividend until the financial statements/interim financial statements for 2021 are finalised and audited by its External Auditor.
- 3.2 Every licensed commercial bank incorporated outside Sri Lanka shall refrain from repatriation of profits not already declared for financial years 2020 and 2021 until the financial statements/interim financial statements for 2021 are finalised and audited by its External Auditor.
- 3.3 Licensed banks shall give due considerations to the requirements of the Banking Act Directions No. 01 of 2016 on Capital Requirements under Basel III for Licensed Banks, expected assets growth, business expansion and the potential impact of the COVID-19 pandemic and prevailing market conditions when deciding on payments of cash dividends and profit repatriation.
- 3.4 Licensed banks shall adhere to the following, until 31 December 2021.
- (a) Refrain from buying-back of its own shares;
 - (b) Refrain from increasing management allowances and payments to Board of Directors;
 - (c) Exercise prudence and refrain to the extent possible from incurring non-essential expenditure such as advertising, business promotions, gift schemes, entertainment, sponsorships, travelling and training etc.; and
 - (d) Exercise extreme due diligence and prudence when incurring capital expenditure, if any.
4. **Effective Date** 4.1 These Directions shall be in effect from 01 July 2021.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 07 of 2021

21 August 2021

PROVISION OF BANKING SERVICES DURING THE ONGOING QUARANTINE CURFEW PERIOD

Consequent to the issuance of the press release dated 20 August 2021 by the Director General of Health Services outlining the functions that are permitted under quarantine curfew period effective from 10 p.m. 20 August 2021 to 4 a.m. 30 August 2021, the Central Bank of Sri Lanka requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks) to carry out essential banking services uninterruptedly. Accordingly, all licensed banks shall make necessary arrangements to provide banking services during this period complying with the following:

- (i) Open bank branches only to provide essential services such as trade financing, treasury operations, clearing activities, payment of salaries, responding to other urgent requests/inquiries of customers, etc.;
- (ii) Operate with the minimal staff required to provide very restricted, essential banking services on a roster basis, or the branches shall only be opened on specified days taking note of specific requirements of customers of each branch;
- (iii) Strictly adhere to all relevant safety measures and guidelines;
- (iv) Publish notices informing the general public how essential banking services can be obtained;
- (v) Take adequate measures to keep the banks' customers informed of the contact details for obtaining essential banking services during this period, including display of contact details of branch staff at the branch and Hot-line numbers, considering the various preferred modes of transacting;
- (vi) Ensure that the customer inquiries are answered and resolved expeditiously; and

- (vii) Continue to facilitate and encourage the use of electronic/digital channels, including Automated Teller Machines (ATMs), Cash Deposit Machines (CDMs), Cash Recycling Machines (CRMs), and mobile banking vehicles.

Prof. W D Lakshman

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

Monetary Law Act Order No. 02 of 2021

24 August 2021

**MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS
OF LICENSED COMMERCIAL BANKS AND THE NATIONAL SAVINGS BANK**

Issued under Section 104(1)(a) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the anomalies in the interest rates offered and paid by licensed commercial banks on the rupee and foreign currency deposits, the Monetary Board hereby issues an Order on maximum interest rates to be paid in respect of foreign currency deposit products of licensed commercial banks and the National Savings Bank.

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|----|--|---|
| 1. | Empowerment under the Monetary Law Act | 1.1 In terms of Section 104(1)(a) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which licensed commercial banks and licensed specialised banks may pay upon various classes of deposits. |
| 2. | Maximum interest rates on FCY deposits | 2.1 The maximum interest rates that may be offered or paid by a licensed commercial bank and the National Savings Bank on all foreign currency (FCY) deposits shall not exceed an Annual Effective Rate (AER) of up to 5 per cent.
2.2 In the case of Special Deposit Accounts in FCY, the additional interest rate that can be offered or paid shall be over and above the interest rate applicable in 2.1 above. |
| 3. | Regulatory Reporting and Disclosure | 3.1 Every licensed commercial bank and the National Savings Bank shall;
(i) submit details of the interest rates offered on FCY deposit products in accordance with the weekly return on 'Rates of Interest', and
(ii) make arrangements to inform and display the interest rates offered to customers on FCY deposit products. |
| 4. | Implementation | 4.1 These Orders shall be effective from the date of the Order and shall be applicable for new FCY deposits, existing FCY savings deposits and at the renewal of FCY term deposits. |

Prof. W D Lakshman

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

Circular No. 08 of 2021

01 September 2021

CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

Considering the new surge in COVID-19 outbreak in Sri Lanka, requests from many concerned parties were received by the Central Bank of Sri Lanka (CBSL) to consider extending the concessions granted to the affected borrowers/customers under the Circular No. 05 of 2021 dated 25 May 2021. Accordingly, with a view to facilitating to meet the challenges faced by businesses and individuals due to the ongoing COVID-19 pandemic, CBSL requests licensed commercial banks and licensed specialised banks (hereinafter referred to as licensed banks), to extend the concessions granted under Circular No. 05 of 2021 dated 25 May 2021 as specified below. Further, licensed banks may offer additional concessions to businesses and individuals affected due to the COVID-19 pandemic, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular.

This Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks, with a view to easing the burden on the borrowers of banks that are affected by the current disruption in business /income generating activities to duly repay their loans. This Circular is not applicable for borrowers in the tourism sector, who are eligible to obtain concessions granted for the tourism sector.

1. Deferment or restructuring of existing credit facilities in the performing category as at 01 September 2021

- (a) Licensed banks shall defer recovery of capital, interest or both of the existing performing credit facilities of borrowers who are affected by COVID-19, on case-by-case basis, during the period up to 31 December 2021, considering the financial difficulties faced by such borrowers, including loss of job, loss or reduction of income/salaries or sales, reduction or impairment business operations or the closure of business, etc.
- (b) Licensed banks shall prioritise accommodating the requests for concessions made by borrowers in the Micro, Small and Medium Enterprises (MSME) sector.
- (c) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted in Rupees and/or in foreign currencies, considering the financial difficulties and repayment capacity of the eligible borrowers.
- (d) Licensed banks shall amalgamate the amounts fallen due during the previous moratorium/deferment schemes (i.e., capital, interest and applicable interest for the respective moratorium/deferment period on the respective moratorium/deferred amount) and the amounts falling due during the current scheme (i.e., capital and interest) in to one new loan. Licensed banks may charge an interest rate as stated in 1 (e) below commencing from 01 September 2021, on the new loan referred above and for the agreed period of repayment as referred in 1 (f) and (g) below, based on a separate loan amortization schedule for this period.
- (e) In the case of Rupee facilities considered for the above deferment, licensed banks may charge an interest rate not exceeding the latest available 364-days Treasury Bills auction rate as at 31 August 2021 plus 1 per cent per annum (i.e., 5.93% + 1% = 6.93%). In the case of foreign currency loans, licensed banks may charge a concessionary rate of interest. Further, interest for the remaining capital outstanding balance, excluding the deferred capital amount of the existing facility will continue to accrue at the contracted interest rate after the end of the deferment period.
- (f) In the case of installment loans including lease facilities, a licensed bank and the respective borrower need to agree on a repayment period commencing from 01 July 2022, up to 6 months, to settle the new loan referred to in 1 (d) above, considering the financial difficulties faced by such borrowers as stated in 1 (a) above. The borrower may commence the repayment of the new loan at an earlier date, if the borrower wishes to do so. However, the borrower shall commence repayment of existing facilities from 01 January 2022.
- (g) In the case where a borrower requests for a period beyond 6 months to settle the new loan referred to in 1 (d) above, the borrower and the bank need to agree on a concessionary interest rate beyond the 6 months period.
- (h) Licensed banks shall explain the benefits of commencing early repayment and the implications of extending the repayment period to the borrower, in order to encourage the borrower to commence early repayment of deferred amount.
- (i) Alternatively, licensed banks may restructure the existing credit facilities, on a case-by-case basis, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on an interest rate, considering the prevailing low interest rates.
- (j) Licensed banks shall extend the due dates of revolving credit facilities, including but not limited to facilities such as working capital, pawning, temporary overdrafts, short-term trade finance facilities, etc., on a case-by-case basis, during the period up to 31 December 2021, provided such due dates fall during 01 September 2021 to 31 December 2021. Licensed banks may charge interest for the deferred period and only on the deferred amount as stated in 1 (e) above.
- (k) Penal interest shall not be accrued or charged during the concessionary period, i.e., 01 September 2021 to 31 December 2021, for the amounts falling due during this period.
- (l) Licensed banks shall accommodate any request from affected borrowers to delay the due dates of loan repayments by few days (maximum 15 working days) due to the ongoing quarantine lockdown, without deferring or re-structuring such facilities. Licensed banks shall not charge any additional interest or other charges for such delay.

2. Concessions for credit facilities in the non-performing category as at 01 September 2021

- (a) Licensed banks may reschedule the existing non-performing credit facilities as at 01 September 2021, on a case-by-case basis, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on the terms and conditions including the interest rate, considering the prevailing low interest rates.
- (b) Licensed banks shall waive off penal interest accrued or charged during the period 1 April 2020 to 01 September 2021, provided such facilities are considered for restructuring under this scheme.
- (c) Licensed banks shall suspend all types of recovery actions until 31 December 2021 against credit facilities that have been classified as non-performing on or after 01 April 2020. Further, licensed banks shall take all the precautions not to excessively contact/force the borrower or visit the borrower as part of the routine collection procedure with regard to the above borrowers. In instances where there are on-going litigations in Courts relating to recovery, borrowers shall enter into an agreement in the Courts to obtain this concession.

3. Licensed banks shall not levy excessive fees or charges in relation to granting of concessions and shall inform such fees or charges in writing to the borrower.
4. Licensed banks shall extend the validity period of cheques valued less than Rs. 500,000 until 31 October 2021.
5. Licensed banks shall discontinue charging for cheque returns and stop payments in relation to all cheque payments until 30 September 2021.
6. Licensed banks shall discontinue late payment fee on all credit cards and other credit facilities during the period up to 31 October 2021 for those who are demonstrably affected.
7. In the case where a borrower who is eligible for concessions under this scheme, has expressed his/her willingness to settle his/her existing credit facilities or amounts fallen due during the moratorium period, instead of opting for concessions under this scheme, licensed banks are encouraged to provide interest rebates. Further, licensed banks shall waive-off early settlement fees and other fees and charges including recovery of future interest of lease facilities, if any, to such borrowers.

8. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- (a) Licensed banks shall not decline loan applications from eligible borrowers under this scheme solely based on an adverse CRIB record.
- (b) Licensed banks, in consultation with CRIB, shall develop a reporting modality to report deferment/ restructuring granted under this Scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

9. Concessions for credit facilities granted under refinance/ interest subsidy schemes

Licensed banks are required to seek necessary guidelines from the relevant agencies with regard to providing concessions for credit facilities granted under various refinance or interest subsidy schemes.

10. Deadline for submission of request

- (a) Licensed banks shall circulate this Circular to all branches within 3 days and provide necessary internal guidelines/ circulars within 7 days.
- (b) Eligible borrowers may request for the above concessions on or before 21 September 2021 in writing or through electronic means. Licensed banks shall expeditiously communicate the concession, deadline and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- (c) Licensed banks shall accept any request submitted after 21 September 2021, if the reasons for delay in making such request is acceptable.
- (d) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for deferment or restructuring of credit facilities.
- (e) Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval and the consent of the borrower shall be obtained in writing or through electronic means.
- (f) In the case of a rejection of the application, licensed banks shall inform the applicant, preferably within 14 days, in writing/ through electronic medium, the reasons for such rejection, and that there is an opportunity for the borrower to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), Central Bank of Sri Lanka requesting for a review. The licensed bank shall advise the applicant by and through the same letter of rejection that the applicant is entitled to duly avail himself of the review facility, if the borrower so wishes.

11. Accounting considerations on the moratorium

Licensed banks shall account for the concession granted under this scheme as per Circular No. 09 of 2020 dated 28 October 2020. In the case of risk elevated borrowers or sectors, licensed banks are required to make adequate impairment charges. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.

12. Reporting requirement

Licensed banks shall report the details of concessions availed by their borrowers to the Bank Supervision Department as at 30th of each month, within 15 working days, commencing 30 September 2021. The reporting format will be issued in due course.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 09 of 2021

08 September 2021

RECOGNITION OF LANKA RATING AGENCY LTD AS AN ACCEPTABLE CREDIT RATING AGENCY

The Central Bank of Sri Lanka recognises Lanka Rating Agency Ltd (LRA) as an acceptable External Credit Assessment Institution for the purpose of Banking Act Directions No. 01 of 2016 on Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks and other related regulatory requirements pertaining to licensed commercial banks and licensed specialised banks.

Accordingly, Table 1 and Table 3 under the item No. 2.3 of Schedule I Appendix IV of the Banking Act Directions No. 01 of 2016 on Capital Requirements Under Basel III for Licensed Commercial Banks and Licensed Specialised Banks are revised as in Annex.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Table 1 of this Circular can be accessed via:

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/bsd_circular_no_9_of_2021_e.pdf

Banking Act Directions No. 12 of 2021

08 September 2021

MARGIN REQUIREMENTS AGAINST IMPORTS

Issued in terms of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

The Central Bank of Sri Lanka, with a view to preserving the stability of the exchange rate and foreign currency liquidity in the banking system, requires licensed commercial banks (LCBs) and National Savings Bank (NSB) to adopt the following measures on imports of certain non-essential and non-urgent goods, with immediate effect until further notice.

1. A 100 per cent non-interest bearing cash margin shall be kept on the invoiced value of imports specified in Schedule A, made under Documents against Acceptance (DA) terms.
2. In the case of NSB, the margin requirements specified in Directions 1 above, shall be applicable for such imports made under Letter of Credit (LC) terms.
3. In the case of existing DAs covering the importation of goods covered by this Direction, no increase in the value of such DAs shall be permitted by LCBs and NSB unless such increase is covered by the cash margin deposits as required in Directions 1 above.
4. Such non-interest bearing cash margin shall be placed by the importer with the bank that releases documents, at the time of acceptance of documents by the importer.
5. Such non-interest bearing cash margin requirement shall be on the total value of the invoice, regardless that the same invoice includes goods that are not covered under this Directions.
6. LCBs and NSB shall endorse the invoice to the effect that the margin deposit has been obtained.
7. The margin deposit shall be released on providing documentary evidence on payments through the banking channels in Sri Lanka and customs documents relating to clearance of imports.
8. LCBs and NSB shall not grant any loan facilities to enable importers to place the margin deposits in respect of these imports.
9. The provisions of this Directions shall have effect in addition to any requirement in force for the time being and such other requirements that may be introduced in terms of any law in respect of importation of goods.

Prof. W D Lakshman
**Chairman of the Monetary Board and
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Schedule A of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_12_of_2021.pdf

Circular No. 10 of 2021

13 September 2021

EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY

With a view to meeting the challenges faced by businesses and individuals engaged in tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks), to extend the debt moratorium granted for tourism sector under Circular No. 08 of 2020 dated 26 August 2020 (hereinafter referred to as the Scheme) for another nine months commencing 1 October 2021 as specified below. However, licensed banks may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all licensed banks.

A. The following provisions of the Circular No. 08 of 2020 have been amended and other provisions of the Circular No. 08 of 2020 will remain unchanged:

1. General Terms and Conditions

- 1 (i) (b) Employees of eligible businesses and members of eligible associations who are affected by COVID-19. In the case of such employees and members, the registration of the business or the association with the relevant institutions referred in (a) above shall be considered sufficient.
- 1 (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of nine months commencing 1 October 2021 to 30 June 2022.
- 1 (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant licensed bank on or before 15 October 2021. Licensed banks are requested to accept any request submitted after 15 October 2021, if the reasons for delay in making such requests are acceptable. Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for this extension.

2. Structuring the debt moratorium

- 2 (i) Licensed banks shall convert the capital and interest falling due during the moratorium period commencing from 1 October 2021 to 30 June 2022 into a term loan. Licensed banks shall amalgamate the capital and interest falling due during the previous moratorium granted with the capital and interest falling due during 1 October 2021 to 30 June 2022
- 2 (ii) Licensed banks may commence recovery of such converted loan once the extended moratorium period is over.
- 2(v) Licensed banks shall waive off the accrued and unpaid penal interest as at 1 October 2021, if any, on performing loans considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

3. Reporting Requirement

Licensed banks shall continue to report the details of moratorium availed by borrowers to the Director of Bank Supervision as at 30th of each month, within 15 working days as per the reporting format prescribed under Circular No. 08 of 2020.

B. The following new provisions are included in this Circular:

1. Alternatively, licensed banks may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the licensed bank and the borrower shall agree on terms and conditions including a concessionary interest rate, considering the prevailing low interest rates.
2. In the case where an eligible borrower has expressed his/her willingness to settle the existing credit facilities or amounts fallen due during the moratorium period, instead of opting for moratorium under this Circular, licensed banks are encouraged to provide interest rebates. Further, licensed banks shall waive-off early settlement fees and other fees and charges including recovery of future interest of lease facilities, if any.
3. Licensed banks shall suspend all types of recovery actions against non-performing facilities until 30 June 2022, provided that such facilities have been classified as non-performing on or after 01 April 2020. Further, licensed banks shall take all the precautions not to excessively contact/force the borrower or visit the borrower as part of the routine collection procedure with regard to the above borrowers. In instances where there are on-going litigations in Courts relating to recovery, borrowers shall enter into an agreement in the Courts to obtain this concession.

4. Licensed banks shall account for the concession granted under this scheme as per guidelines issued by CBSL to licensed banks on adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments. Licensed banks shall identify tourism sector as a risk elevated sector and provide accordingly. Licensed banks may seek advice from the Institute of Chartered Accountants of Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.
5. Licensed banks are required to seek necessary guidelines from the relevant agencies with regard to providing concessions for credit facilities granted under various refinance or interest subsidy schemes.
6. Licensed banks shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of a rejection of the application, licensed banks shall inform the applicant, preferably within 14 days, in writing/ through electronic medium, the reasons for such rejection, and that there is an opportunity for the borrower to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), CBSL requesting for a review. The licensed bank shall advise the applicant by and through the same letter of rejection that the applicant is entitled to duly avail himself of the review facility, if the borrower so wishes.
7. Licensed banks shall circulate this Circular to all branches within 3 days and provide necessary internal guidelines/circulars within 7 days.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 13 of 2021

14 September 2021

CLASSIFICATION, RECOGNITION AND MEASUREMENT OF CREDIT FACILITIES IN LICENSED BANKS

In the exercise of the powers conferred by Sections 46A, 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended, the Monetary Board of the Central Bank of Sri Lanka (CBSL) hereby issues the following Directions on Classification, Recognition and Measurement of credit facilities in licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, with a view to further strengthening and harmonising the regulatory framework on classification, recognition and measurement of credit facilities in licensed banks with the Sri Lanka Accounting Standard, 'SLFRS 9: Financial Instruments' (hereinafter referred to as SLFRS 9) and establishing consistent and prudent practices in the banking industry.

- 1. Empowerment**
 - 1.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76(J)(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
- 2. Scope and Applicability**
 - 2.1 All requirements in these Directions shall be applicable to licensed banks in addition to the requirements of the Sri Lanka Accounting Standards.
- 3. Definitions**
 - 3.1 The following definitions shall be applicable for purposes of these Directions.
 - 3.1.1 Credit facilities shall mean:
 - a. On balance sheet loans and advances which are measured under amortized cost or fair value through other comprehensive income and net investment in lease receivables; and
 - b. Off-balance sheet assets including commitment to accept contingent liabilities, and include guarantees, bonds, letters of credit, acceptances and undrawn commitment component of credit facilities such as credit cards and overdraft facilities etc.
 - 3.1.2 Borrower shall include individuals, companies, the Government of Sri Lanka, public corporations, statutory bodies, firms, state owned entities (SOEs), associations of persons and any other entity.
 - 3.1.3 Board of Directors shall mean the Board of Directors of locally incorporated licensed banks and in the case of foreign banks, the Head Office/ Regional Monitoring Office.

3.1.4 Chief Executive Officer (CEO) and Key Management Personnel (KMP) shall mean CEO and Officers Performing Executive Functions of licensed banks as determined under the Banking Act.

4. Governance Framework for Credit Facilities

- 4.1 The Board of Directors, CEO and the respective KMP are responsible for ensuring that the licensed bank has robust credit risk management policies and practices, including an effective system of internal controls, to manage the credit risk in the licensed bank in accordance with the policies and procedures, applicable Sri Lanka Accounting Standards and relevant regulatory and supervisory guidance.
- 4.2 The Board of Directors shall ensure that the credit policy of the licensed bank includes the following at a minimum in addition to requirements stipulated in Banking Act Directions on Integrated Risk Management Framework for licensed banks:
- 4.2.1 A policy on classification, measurement and recognition of credit facilities;
- 4.2.2 Adequate credit risk management policies and processes to identify, measure, monitor, report and mitigate credit risk on a timely basis covering the full credit life cycle. Such process shall be documented, while adhering to sound methodologies, procedures and controls for assessing and measuring the credit risk of loans and advances;
- 4.2.3 Adequate policies and processes in place for the timely identification of credit facilities and management of under-performing/non-performing assets and determining an adequate impairment allowance, and to strengthen the credit risk management process in accordance with the Sri Lanka Accounting Standards and the regulatory framework;
- 4.2.4 Ensure that clear guidelines are provided on;
- (a) Staging of loans, including how to differentiate stage 2 and 3 loans based on potential risk criteria;
 - (b) Methodologies for determining the Probability of Default (PD), Loss Given Default (LGD), Economic Factor Adjustment etc. for impairment purposes ;
 - (c) Assessment thresholds and borrower-wise coverage of credit facilities to be assessed individually for impairment;
 - (d) Collateral to be considered for impairment along with valuation requirements on such collateral and specification of techniques and data to be used for such valuations in line with Direction 12 below;
 - (e) Use of overlays to impairment models to ensure expected loss computations reflect potential economic shocks, which are not captured otherwise; and
 - (f) On upgrading of credit facilities in line with Direction 11 below.
- 4.2.5 A comprehensive validation policy in respect of models used for classification, recognition and measurement of credit facilities in the licensed bank including clear roles & responsibilities, validation frequency and procedures & methodologies to be used by the bank;
- 4.2.6 Establish a mechanism to segregate non-performing credit facilities from other credit facilities to ensure close follow-up action and to monitor and streamline the recovery process;
- 4.2.7 A well-designed write-off/write down policy established by the Board of Directors delineating the approach, authority, accountability for negligence and inappropriate follow-up, independent review and audit, continuous monitoring, reporting, etc. Such policy shall also aim to recover the maximum salvage value through enforcement of collateral / guarantees, etc; and
- 4.2.8 Ensure transparency and comparability by establishing mechanisms to provide timely, relevant, accurate and useful information of the licensed bank through public disclosures and maintaining adequate data/records and systems to identify, reconcile and report the requirements under the Sri Lanka Accounting Standards and the existing regulatory framework.

- 4.3 CEO and KMPs of the licensed bank shall ensure that Board approved policies, procedures and processes on credit facilities are implemented as intended, and adequate internal controls and validation processes are established to ensure same.
- 4.4 Licensed Bank shall not fund the recovery of any credit facility provided to any borrower by the same bank.
- 5. Classification of Credit Facilities**
- 5.1 Licensed bank shall classify all credit facilities for the purpose of impairment assessment, risk mitigation and monitoring into performing and non-performing loans and advances as follows:
- 5.1.1 Performing credit facilities shall mean:
- All the credit facilities classified as Stage 1 under SLFRS 9; and
 - All credit facilities identified as significantly increased credit risk facilities and classified as Stage 2 under SLFRS 9 (under-performing credit facilities).
- 5.1.2 Non-performing credit facilities (NPCF) shall mean all credit facilities where contractual payments of a customer are past due for more than 90 days (the number of days past due shall be calculated starting from the contractual due date of the payment) or has remained in excess of the sanctioned limit for more than 90 days, and any other credit facilities classified as Stage 3 credit facility under SLFRS 9 (facilities classified as NPCF based on potential risk and impaired assets at origination).
- 5.2 A licensed bank shall not consider the value and type of security obtained by the bank against their credit facilities when determining the classification status of a credit facility.
- 5.3 In cases where a borrower has several current accounts with overdraft limits with the bank, the aggregate sanctioned limit and the daily outstanding aggregate balance on all such accounts shall be considered for the purposes of classification of Overdrafts.
- 6. Sub-Categorisation of non-performing Credit Facilities**
- 6.1 Licensed bank shall sub-categorise NPCF into the following categories based on the criteria mentioned below:
- 6.1.1 Special mention**
- Based on days past due: All credit facilities where contractual payments are past due or have remained in excess of the sanctioned limit for more than 90 days but less than or equal to 180 days.
 - Based on potential risk: All credit facilities that exhibit potential weaknesses where, if not corrected in a timely manner, may adversely affect repayment by the borrower at a future date, and those that warrant close attention by the licensed bank.
- 6.1.2 Substandard**
- Based on days past due: All credit facilities where contractual payments are past due or have remained in excess of the sanctioned limit for more than 180 days but less than or equal to 270 days.
 - Based on potential risk: All credit facilities that exhibit definable weaknesses, either in respect of the business, cash flow or financial position of the borrower, that may jeopardise repayment on existing terms and where there is uncertainty that part or the entire facility will be repaid and involves more than normal risk of loss due to unsatisfactory debt servicing record/financial condition of the borrower, insufficiency of collateral or any other factors which give rise to some doubts as to the ability of the borrower to comply with the present repayment terms.
- 6.1.3 Doubtful**
- Based on days past due: All credit facilities where contractual payments are past due or have remained in excess of the sanctioned limit for more than 270 days but less than or equal to 360 days.
 - Based on potential risk: All credit facilities that exhibit a high risk of partial default or where full collection is improbable and there is a high risk of default and where the outstanding credit facility exhibits more severe weaknesses than those in a substandard category.

6.1.4 Loss

- (a) Based on days past due: All credit facilities where contractual payments are past due or have remained in excess of the sanctioned limit for more than 360 days.
- (b) Based on potential risk: All credit facilities that are deemed to be uncollectable or are almost certain that such will not be repaid and which are categorised as NPCF but not included under special mention, substandard and doubtful categories.

7. Significant Increase in Credit Risk / Default Facilities

- 7.1 For the purpose of calculating life-time expected losses under SLFRS 9, at a minimum, if one or more of the following factors/conditions are met, it shall be considered as significant increase in credit risk or as defaulted facilities.
- 7.1.1 Contractual payments of a borrower are past due for more than 30 days (subject to the rebuttable presumption under SLFRS 9).
 - 7.1.2 Credit rating of a borrower has been subsequently downgraded to B+ or below under the Sri Lankan National Rating Scale by an External Credit Assessment Institution (ECAI).
 - 7.1.3 A two-notch downgrade under the internal rating of the licensed bank. Licensed banks are required to map their internal credit risk ratings with the ratings issued by ECAI. For this purpose, licensed banks are required to refer the mapping of external credit ratings given in Banking Act Directions on capital requirements;
 - 7.1.4 Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of a customer/group of customers;
 - 7.1.5 A significant change in the geographical locations or natural catastrophes that directly impact the performance of a customer/group of customers;
 - 7.1.6 The value of collateral is significantly reduced and/or realisability of collateral is doubtful. Licensed banks shall define relevant thresholds/limits and document the same;
 - 7.1.7 The borrower is subject to litigation that significantly affects the performance of the credit facility;
 - 7.1.8 Frequent changes in the Board of Directors and Senior Management of an institutional customer;
 - 7.1.9 Delay in commencement of business operations/projects by more than two years from the originally agreed date;
 - 7.1.10 Modification of terms resulting in concessions, including extensions, deferment of payments, waiver of covenants etc.;
 - 7.1.11 The borrower is deceased/insolvent;
 - 7.1.12 Licensed bank is unable to contact or find the borrower; and
 - 7.1.13 A fall of 50% or more in the turnover and/or profit before tax of the borrower when compared to the previous year for two consecutive years and/or erosion of net-worth of the borrower by more than 25% (other than due to changes in equity structure and dividend policy) when compared to the previous financial year.
 - 7.1.14 Restructure and rescheduled credit facilities as per guidance provided in Direction 10 below.
- 7.2 Licensed banks may rebut one or more criteria listed from 7.1.2 to 7.1.14 when determining significant increase of credit risk, subject to the following:
- 7.2.1 The KMP heading the Risk Management Function shall recommend such rebuttal criteria to the Board of Directors providing valid rationale and justifications to ensure that such criteria do not result in significant increase of credit risk to the bank, and Board of Directors shall grant approval or reject the proposal after considering the information provided.
 - 7.2.2 Disclose the rebutted criteria if any and the estimated impact of such rebuttal on the respective bank's impairment provisions and profitability in their audited annual financial statements.

8. Impairment Charges for Credit Facilities

- 8.1 Licensed banks shall measure the impairment charges for credit facilities as per the Sri Lanka Accounting Standards and Directions/Guidelines issued by CBSL in this regard from time to time.

- 8.2 The measurement of impairment charges should build upon robust methodologies and result in the appropriate and timely recognition of expected credit losses in accordance with the applicable Sri Lanka Accounting Standards.
- 8.3 At each reporting date, licensed banks shall measure the loss allowance for credit facilities at an amount equal to life-time expected losses, if the credit risk of loans and advances has increased significantly since initial recognition (except for the credit facilities purchased and/or originated as credit-impaired credit facilities).
- 8.4 In respect of purchased or originated credit impaired credit facilities, lifetime expected credit losses shall be measured unless upgraded in line with Direction 11 below.
- 8.5 In principle, lifetime expected credit losses and/or credit impaired credit facilities shall be assessed on an individual basis. However, the licensed bank may perform the assessment on appropriate groups or portfolios on a collective basis for their portfolios.
- 8.6 The aggregate amount of impairment allowances of the licensed bank, regardless of whether such allowances are determined on a collective or an individual basis, should be adequate and consistent with the objectives of the applicable Sri Lanka Accounting Standards.
- 8.7 Impairment of Stage 1 credit facilities
- 8.7.1 From 01.01.2022, licensed banks shall maintain a minimum Stage 1 impairment ratio of 0.5% as a percentage of total Stage 1 credit facilities i.e., Stage 1 impairment / Stage 1 credit facilities.
- 8.7.2 In instances where a licensed bank does not maintain a minimum Stage 1 impairment ratio of 0.5% as a percentage of total Stage 1 credit facilities such deficit shall be required to be maintained in a special reserve account against equity.
- 8.7.3 Such reserve shall not be used to declare dividends by licensed banks.
- 8.7.4 However, this shall only be used as a minimum value for Stage 1 impairment and licensed banks shall ensure the adequacy of Stage 1 impairment as per the relevant Sri Lanka Accounting Standards and internal policies.
- 8.8 Further Directions on impairment of credit facilities in licensed banks are provided in Annex I.
9. **Models for Calculation of Impairment**
- 9.1 The CEO and relevant KMP of the licensed bank under the guidance provided by the Board of Directors, shall ensure that the licensed bank:
- 9.1.1 Develops robust models to determine expected credit losses as per the Sri Lanka Accounting Standards, which should be in line with the licensed bank's business model and risk profile;
- 9.1.2 Considers all available and relevant internal and external data when estimating expected credit losses, ensuring that the estimates are robust, unbiased and reflective of current exposures;
- 9.1.3 Consists relevant officers who are well trained, competent and have a thorough understanding of the models adopted by the bank;
- 9.1.4 Adheres to rigorous governance and internal control procedures, when obtaining support from external vendors/consultants in respect of model development.
- 9.1.5 Documents the reasons for selecting a specific model as the appropriate mode, if different models are used for different portfolios and instruments and ensure that all credit models are reviewed at least annually;
- 9.1.6 Establishes an effective model validation process to ensure that the credit risk assessment and measurement methods are capable of generating accurate, consistent and unbiased predictive estimates on an ongoing basis; and
- 9.1.7 Desists from making changes in the parameters, inputs and assumptions used for the purpose of profit smoothening. However, if any changes in the credit models are required, the rationale and justification for such change shall be evaluated by the Chief Risk Officer, Integrated Risk Management Committee and approved by the Board of Directors.

9.2 In cases where licensed banks incorporated outside Sri Lanka use models developed by their head office or regional offices, such licensed banks shall assess the appropriateness of the credit models in the Sri Lankan context and a local team headed by a KMP shall carry out appropriate validation procedures.

10. Re-structured and Re-scheduled Credit Facilities

10.1 Restructured credit facilities

- 10.1.1 Restructured credit facilities are where the original repayment terms have been amended due to a deterioration in credit quality, while the respective credit facilities remain as performing facilities as defined under Direction 5.1.1 above.
- 10.1.2 Credit facilities which are restructured up to two times other than upgraded credit facilities as defined under Direction 11 below, shall be classified as Stage 2 credit facilities under SLFRS 9.
- 10.1.3 Credit facilities restructured more than two times other than upgraded credit facilities as defined under Direction 11 below, shall be considered as Stage 3 credit facilities under SLFRS 9.

10.2 Rescheduled credit facilities

- 10.2.1 Rescheduled credit facilities are where the original repayment terms have been amended while the respective credit facilities remain as NPCFs as defined under Direction 5.1.2 above.
- 10.2.2 All rescheduled credit facilities, other than upgraded credit facilities as defined under Direction 11 below, shall be considered as Stage 3 credit facilities under SLFRS 9.
- 10.3 Licensed banks shall consider the factors listed under Direction 7.1 above in assessing any deterioration in credit quality. However, such assessment shall not be limited to factors specified in Direction 7.1 and shall ensure adequate provisions are made in respect of restructured and rescheduled credit facilities to commensurate with the significant increase in the credit risk.
- 10.4 Licensed banks shall not grant new credit facilities for repayment of NPCF to the same borrower unless the new credit facility is also classified as NPCF.

11. Upgrading of Credit Facilities

11.1 Licensed banks may upgrade credit facilities from a higher stage (Stage 3 or 2) to a lower stage (Stage 2 or 1) subject to the following:

- 11.1.1 Upgrading of credit facilities shall be in accordance with a policy approved by the Board of Directors, and the rationale for such upgrading shall be properly documented. Such policy at a minimum shall ensure the following:
- (a) Settlement of the due payment
- (i) Credit facilities other than the restructured credit facilities in stage 3 and rescheduled credit facilities shall be upgraded, if due payments are fully settled by the customer and bank is satisfied that the customer is able to service debt service obligations up to a foreseeable future:
- (b) Restructured credit facilities upgrading from stage 3 and rescheduled credit facilities
- (i) Licensed bank exercises prudence in upgrading NPCFs/ under-performing credit facilities; and
- (ii) Upgraded credit facility has exhibited a sustained trend/status/ of improvement to justify the improved classification status.

11.1.2 Upgrading of re-scheduled and re-structured credit facilities shall only be carried out by the Risk Management Department and shall be independent from the credit facility review mechanism.

12. Valuation of Collateral for Impairment Purposes

- 12.1 Licensed bank shall consider the valuation of assets in a prudent manner considering the available reliable market valuations in assessing LGD / cash flow. Such valuations shall appropriately reflect the inherent uncertainty associated with distressed property liquidation (including the time taken for such realisation).
- 12.2 Licensed bank shall substantiate any increase in the valuation with appropriate evidence that such increases are sustainable.

- 12.3 Licensed bank shall estimate the net realisable value of the credit risk mitigants or use the forced sale value of the collateral to provide more realistic estimates. Impairment charges shall take into account the updated and realistic valuations of such credit risk mitigants.
- 12.4 Assets that can be considered as collateral shall be limited to cash, deposits, property mortgage, guarantees by the Government, CBSL and licensed banks, assignment of life insurance policies, gold articles, assignment of shares, mortgage over motor vehicles, plant, machinery and equipment, debt mortgages quoted debentures, equity shares and any other types of security as specifically approved by the Director of Bank Supervision on a case-by-case basis.
- 12.5 Licensed bank shall comply with the following in relation to valuation of collateral:
- 12.5.1 Banking Act Directions issued by CBSL from time to time, on Regulatory Framework on Valuation of Immovable Properties of Licensed Banks.
- 12.5.2 Guidelines issued by the CA Sri Lanka on Valuation of Property, Plant and Equipment, Investment Property and Biological Assets for the purpose of Financial Reporting.
- 13. Recognition of Interest Income**
- 13.1 Licensed bank shall recognise the interest income for credit facilities based on the Sri Lanka Accounting Standards.
- 14. Role of Internal Audit**
- 14.1 The Internal audit function shall independently evaluate the effectiveness of the credit risk assessment, measurement systems and processes of the licensed bank and shall ensure the acceptability of credit judgments.
- 14.2 The Internal audit function shall at least annually, validate and evaluate all credit risk assessment models, inputs and assumptions used along with data smoothening, if any.
- 14.3 The Internal audit function shall provide an assurance on the adequacy and effectiveness of back testing in order to ensure that the key drivers have been captured and calibrated accurately.
- 15. Regulatory Reporting**
- 15.1 Licensed bank are required to submit the statutory returns introduced for these Directions, as stipulated below, or as stipulated otherwise by the Director of Bank Supervision.
- 15.1.1 Monthly Returns - on or before the 15th day of the following month.
- 15.1.2 Quarterly Returns - on or before the 15th day from the end of a quarter.
- 15.2 Licensed bank shall publish the following Key Performance Indicators based on SLFRS information in quarterly and annual financial statements.
- 15.2.1 Stage 3 Loans (net of Stage 3 impairment) to Total Loans.
- 15.2.2 Stage 3 Impairment to Stage 3 Loans.
- 16. Effective Date**
- 16.1 These Directions shall be in effect from 01 January 2022.
- 17. Revocation of Directions**
- 17.1 The following Directions/Circulars will be revoked from 01 January 2022:
- 17.1.1 Banking Act Direction Nos. 3 and 4 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning dated 08 May 2008.
- 17.1.2 Banking Act Direction Nos. 3 and 4 of 2010 - Amendments to Directions on Classification of Loans and Advances, Income Recognition and Provisioning dated 27 September 2010.
- 17.1.3 Circular No. 04 of 2018 - Guidelines to Licensed Banks on Adoption of Sri Lanka Accounting Standard - SLFRS 9: Financial Instruments dated 31 December 2018. The one-time permission to stagger first day audited additional credit loss provisions from adoption of SLFRS 9, net of any other adjustment on first day impact to retained earnings and net of tax effects, will continue to be in effect until 31 December 2021.
- 17.1.4 Circular No. 06 of 2019 - Supplement to Circular No. 04 of 2018 on the Adoption of Sri Lanka Accounting Standards - SLFRS 9: Financial Instruments in Licensed Banks dated 26 April 2019.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annex 1 of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_13_of_2021.pdf

Banking Act Directions No. 14 of 2021

14 September 2021

**CLASSIFICATION, RECOGNITION AND MEASUREMENT OF FINANCIAL ASSETS
OTHER THAN CREDIT FACILITIES IN LICENSED BANKS**

In the exercise of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended, the Monetary Board of the Central Bank of Sri Lanka (CBSL) hereby issues the following Directions on Classification, Recognition and Measurement of financial assets other than credit facilities in licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, with a view to further strengthening and harmonising the regulatory framework on classification, recognition and measurement of financial assets other than credit facilities in licensed banks with the Sri Lanka Accounting Standard, 'SLFRS 9: Financial Instruments' (hereinafter referred to as SLFRS 9) and establishing consistent and prudent practices in the banking industry.

1. **Empowerment**
 - 1.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.
 - 1.2 In terms of Section 76J (1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.
2. **Scope and Applicability**
 - 2.1 All requirements in these Directions shall be applicable to licensed banks in addition to the requirements of the Sri Lanka Accounting Standards.
3. **Definitions**
 - 3.1 The following definitions shall be applicable for purposes of these Directions.
 - 3.1.1 Financial assets covered by these Directions shall mean all financial assets covered under SLFRS 9, and excludes financial assets covered by the Banking Act Directions No 13 on Classification, Measurement and Recognition of Credit Facilities.
 - 3.1.2 Borrower shall include individuals, companies, the Government of Sri Lanka, public corporations, statutory bodies, firms, state owned entities (SOEs), associations of persons and any other entity.
 - 3.1.3 Board of Directors shall mean the Board of Directors of locally incorporated licensed banks and in the case of foreign banks, the Head Office/ Regional Monitoring Office.
 - 3.1.4 Chief Executive Officer (CEO) and Key Management Personnel (KMP) shall mean CEO and Officers Performing Executive Functions of licensed banks as determined under the Banking Act.
4. **Governance Framework for Financial Assets Other than Credit Facilities**
 - 4.1 The Board of Directors, CEO and the respective KMP are responsible for ensuring that licensed banks have an approved business model and policy in place at a minimum in addition to requirements stipulated in Banking Act Directions on Integrated Risk Management Frameworks for licensed banks to facilitate classification, recognition and measurement of financial assets in accordance with the applicable Sri Lanka Accounting Standards and relevant regulatory and supervisory guidance.
 - 4.2 Such policy at a minimum shall:
 - 4.2.1 Identify objectives, definitions, characteristics, criteria and operating policies along with adequate procedures and systems for assessing the business models of financial assets on an on-going basis;
 - 4.2.2 The decision-making authorities for business model decisions, level of sales to be considered as infrequent and insignificant, time period for near term selling to be considered for trading purposes, election of fair value option for instruments through profit or loss and through other comprehensive income; and
 - 4.2.3 Document and maintain standardised processes, detailed checklists and decision trees in order to assess and identify Solely Payments of Principal and Interest (SPPI) test (contractual cash flows to meet SPPI) features of their products and contracts.

- 4.3 Board of Directors shall ensure transparency and comparability establishing a mechanism to provide timely, relevant, and useful information of the licensed bank through relevant disclosures and maintaining adequate data/records and systems to identify, reconcile and report requirements under the Sri Lanka Accounting Standards and the existing regulatory framework.
- 4.4 The Board of Directors shall establish a comprehensive validation policy in respect of models used for classification, recognition and measurement of financial assets other than credit facilities in licensed banks including clear roles & responsibilities, validation frequency and procedures & methodologies to be used by the bank;
- 4.5 A Board approved policy shall include clear guidelines on:
- 4.5.1 Staging of Investments (including how to differentiate stage 2 and 3 loans based potential risk criteria);
- 4.5.2 Methodologies for determining the Probability of Default (PD), Loss Given Default (LGD), economic factor adjustment etc. for impairment purposes;
- 4.5.3 Collateral to be considered for impairment along with valuation requirements on such collateral and specification of techniques and data to be used for such valuations;
- 4.5.4 A comprehensive model validation policy including clear roles & responsibilities, validation frequency and procedures & methodologies to be used by the bank;
- 4.5.5 Use of overlays to impairments models to ensure expected loss computations do reflect potential economic shocks, which are not captured otherwise; and
- 4.5.6 Guidance on upgrading of Investments in line with Direction 9 below.
- 4.6 CEO and KMPs of the licensed bank shall ensure that Board approved policies and guidelines on Financial Assets are implemented as intended, and adequate internal controls and validation processes are established to ensure the same.
- 5. Classification of Financial Assets (Other than Credit Facilities) and Financial Liabilities**
- 5.1 Licensed banks shall classify Financial Assets (Other than Credit Facilities), and Financial Liabilities as per the Sri Lanka Accounting Standards. A broad summary of classification and subsequent measurement of Financial Assets and Liabilities is given in Annex 1.
- 5.2 If a licensed bank is accounting for its financial liabilities as designated through profit or loss, the licensed bank shall assess and account the changes in value of financial liabilities due to changes in its own credit risk, through other comprehensive income. The licensed bank shall formulate Board approved internal guidelines for this purpose.
- 6. Significant Increase in Credit Risk/ Default of Financial Assets other than Credit Facilities**
- 6.1 For the purpose of calculating life-time expected losses under SLFRS 9, at a minimum, if one or more of the following factors/conditions are met, it shall be considered as a significant increase in credit risk or as defaulted facilities.
- 6.1.1 Contractually obligated payments of a financial asset are past due for more than 30 days (subject to the rebuttable presumption under SLFRS 9);
- 6.1.2 Credit rating of an instrument has been subsequently downgraded to B+ or below under the Sri Lankan National Rating Scale by an External Credit Assessment Institution (ECAI).
- 6.1.3 A two-notch downgrade under the internal rating of the licensed bank (if available). Licensed banks are required to map their internal investment ratings with the ratings issued by ECAI. For this purpose, licensed banks are required to refer the mapping of external credit ratings given in Banking Act Directions on capital requirements;
- 6.1.4 Reasonable and supportable forecasts of future economic conditions show a direct negative impact on the performance of portfolios or instruments;
- 6.1.5 A significant change in the geographical locations or natural catastrophes that directly impact the instrument;
- 6.1.6 Frequent changes in the Board of Directors and Senior Management and any Going Concern issues of the issuer;
- 6.1.7 A fall of 50% or more in the turnover and/or profit before tax of the borrower when compared to the previous year for two consecutive years and/or erosion of net-worth of the borrower by more than 25% (other than due to changes in equity structure and dividend policy) when compared to the previous financial year.

- 6.1.8 The issuer is deceased/insolvent;
- 6.1.9 Non-receipt of dividends/returns for a consecutive period of three years (along with a cumulative decline in net asset value of 30 per cent or more); and
- 6.1.10 A continuously declining trend in market prices, with the investment value being below cost for over three years.
- 6.2 Licensed banks may request to rebut one or more criteria listed from 6.1.2 to 6.1.10 when determining significant increase of credit risk, subject to the following:
 - 6.2.1 The KMP heading the Risk Management Function shall recommend such rebuttal to the Board of Directors providing valid rationale and justifications to ensure that such criteria do not result in significant increase of credit risk to the bank, and Board of Directors shall grant approval or reject the proposal after considering the information provided.
 - 6.2.2 Disclose the rebutted criteria if any and the estimated impact of such rebuttal on the respective bank's impairment provisions and profitability in their audited annual financial statements.
- 7. **Impairment Charges for Financial Assets Other than Credit Facilities**
 - 7.1 Licensed banks shall compute the impairment charges for credit facilities as per the Sri Lanka Accounting Standards and Directions/Guidelines issued by CBSL from time to time.
 - 7.2 The measurement of impairment allowances should build upon robust methodologies and result in the appropriate and timely recognition of expected credit losses in accordance with the applicable Sri Lanka Accounting Standards.
 - 7.3 The aggregate amount of impairment allowances of licensed banks, regardless of whether allowance components are determined on a collective or an individual basis, should be adequate and consistent with the objectives of the applicable Sri Lanka Accounting Standards
 - 7.4 Additional guidance on impairment of licensed banks is provided in Annex II.
- 8. **Models for Calculation of Impairment for Financial Assets other than Credit Facilities**
 - 8.1 The CEO and other relevant KMP of the licensed bank under the guidance provided by the Board of Directors, shall ensure that the licensed bank:
 - 8.1.1 Develops robust models to determine expected credit losses as per the Sri Lanka Accounting Standards, which should be in line with the licensed bank's business model and risk profile;
 - 8.1.2 Considers all available and relevant internal and external data when estimating expected credit losses, ensuring that the estimates are robust, unbiased and reflective of current exposures;
 - 8.1.3 Consist of officers who are well trained, competent and have a thorough understanding of the models adopted by the bank;
 - 8.1.4 Adheres to rigorous governance and internal control processes, when obtaining support from external vendors/consultants in respect of model development.
 - 8.1.5 Documents the reasons for selecting a specific model as the appropriate mode, if different models are used for different portfolios and instruments and ensure that all credit models are reviewed at least annually;
 - 8.1.6 Establishes an effective model validation process to ensure that the credit risk assessment and measurement methods are capable of generating accurate, consistent and unbiased predictive estimates on an ongoing basis; and
 - 8.1.7 Desists from making changes in the parameters, inputs and assumptions used for the purpose of profit smoothening. However, if any changes in the credit models are required, the rationale and justification for such change shall be evaluated by the Chief Risk Officer, Integrated Risk Management Committee and approved by the Board of Directors.
 - 8.2 In cases where licensed banks incorporated outside Sri Lanka use models developed by their head office or regional office, such licensed banks shall assess the appropriateness of the credit models in the Sri Lankan context and a local team headed by a KMP shall carry out appropriate validation procedures.

- 9. Reclassification of Financial Assets Other than Credit Facilities**
- 9.1 Licensed banks may reclassify financial assets under the provisions of the Sri Lanka Accounting Standards, provided the objective of the business model of the licensed bank for its financial assets has changed and its previous model assessment would no longer apply.
- 9.2 In line with the requirements under the Sri Lanka Accounting Standards, such changes in business models and reclassifications shall be approved by the Board of Directors and shall be notified to the Director of Bank Supervision within 7 working days of the date of such approval.
- 10. Upgrading of Financial Assets other than Credit Facilities**
- 10.1 Licensed banks shall upgrade Financial Assets from a higher stage in accordance with a policy approved by the Board of Directors, and the rationale for such upgrading shall be properly documented.
- 10.2 Licensed banks shall exercise prudence in upgrading Financial Assets and shall ensure that the upgraded asset has exhibited a sustained trend/status of improvement to justify the improved classification status.
- 11. Fair Value Measurement of Financial Assets other than Credit Facilities**
- 11.1 Licensed banks shall comply with the requirements given in 'Sri Lanka Accounting Standard - SLFRS 13: Fair Value Measurement' when financial instruments are subsequently measured at fair value, and are required to:
- 11.1.1 Use an appropriate valuation technique for which sufficient data is available;
- 11.1.2 Apply the selected valuation techniques consistently (exercising prudence);
- 11.1.3 Maximise the use of relevant observable inputs. In exceptional circumstances, unobservable inputs may be used; and
- 11.1.4 Obtain confirmation from the Chief Risk Officer, with regard to the appropriateness and reliability of inputs under level 3 hierarchy, if such inputs are used in the respective valuation technique.
- 12. Role of Internal Audit**
- 12.1 The Internal audit function shall independently evaluate the effectiveness of the credit risk assessment, measurement systems and processes of the licensed bank and shall ensure the acceptability of credit judgments.
- 12.2 The Internal Audit function shall at least annually, validate and evaluate all credit risk assessment models, inputs and assumptions used along with data smoothening, if any.
- 12.3 The Internal audit function shall provide an assurance on the adequacy and effectiveness of back testing in order to ensure that the key drivers have been captured and calibrated accurately.
- 13. Regulatory Reporting**
- 13.1 Licensed banks are required to submit the statutory returns introduced for these Directions, as stipulated below, or as stipulated otherwise by the Director of Bank Supervision.
- 13.1.1 Monthly Submission - on or before the 15th day of the following month
- 13.1.2 Quarterly Submission - on or before the 15th day from the end of a quarter.
- 14. Effective Date**
- 14.1 These Directions shall be in effect from 01 January 2022.
- 15. Revocation of Directions**
- 15.1 The following Directions will be revoked from 01 January 2022:
- 15.1.1 Banking Act Directions on Prudential Norms for Classification, Valuation and Operation of the Bank's Investment Portfolio dated 01.03.2006 issued to licensed commercial banks and licensed specialised banks.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Annexes of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_14_of_2021.pdf

Circular No. 11 of 2021

30 September 2021

SUPPLEMENTARY CIRCULAR TO BANKING ACT DIRECTIONS ON CLASSIFICATION, RECOGNITION AND MEASUREMENT OF CREDIT FACILITIES AND OTHER FINANCIAL ASSETS IN LICENSED BANKS

The Central Bank of Sri Lanka, subsequent to the issuance of new Banking Act Directions No. 13 and 14 of 2021 on Classification, Recognition and Measurement of Credit Facilities and Classification, Recognition and Measurement of Financial Assets Other than Credit Facilities in Licensed Banks, respectively, hereby issues this Circular to licensed banks, to be effective from 01 January 2022, with a view to establishing consistent practices on the adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments by licensed banks amidst COVID-19 outbreak.

- (1) Licensed banks, with the approval of the Board of Directors, shall include clear guidelines on staging of loans and advances for impairment purposes in the related policies, amidst the extraordinary circumstances caused by the COVID-19 outbreak.
- (2) In the case where direct temporary restrictions on economic activities are/were in place due to COVID-19 outbreak, licensed banks may continue to exercise prudent judgment, on case-by-case basis, to determine whether to classify credit facilities as Stage 3 facilities or not:
 - (a) considering the borrower's inability to revive the business and generate sufficient cash flows to repay the exposure once the restrictions on economic activities are removed; and
 - (b) if a facility has been restructured more than twice due to adverse economic consequences of the COVID-19 outbreak and/or the Easter Sunday Attack.
- (3) Licensed banks may consult CA Sri Lanka and Auditors in order to obtain further guidance in respect of computing Probability of Default for exposures denominated in foreign currencies issued by the sovereigns.
- (4) These instructions shall also be applicable to all credit facilities considered under concessions provided as per the Circulars issued by the Central Bank of Sri Lanka from time to time for COVID-19 affected Businesses and Individuals, including the Tourism sector.
- (5) Circular No. 09 of 2020 issued on 28 October 2020 as Amendments to Circular No. 04 of 2018 on Guidelines to Licensed Banks on the Adoption of Sri Lanka Accounting Standards – SLFRS 9: Financial Instruments will be revoked from 01 January 2022.

Director of Bank Supervision

Banking Act Directions No. 15 of 2021

01 October 2021

MARGIN REQUIREMENTS AGAINST IMPORTS

Issued in terms of the powers conferred by Section 46(1) and 76(J)(1) of the Banking Act No. 30 of 1988, as amended.

Banking Act Directions No. 12 of 2021 dated 08 September 2021 on Margin Requirements Against Imports are hereby revoked.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 12 of 2021

05 October 2021

CONCESSIONS FOR LEASE FACILITIES OBTAINED BY BUSINESSES AND INDIVIDUALS IN PASSENGER TRANSPORTATION SECTOR

The Central Bank of Sri Lanka (CBSL), with a view to meeting the challenges faced by businesses and individuals providing public and private passenger transportation service including tourism sector, amidst COVID-19 pandemic, requests licensed commercial banks and licensed specialised banks, (hereinafter referred to as licensed banks) to extend the concessions granted under Circular No. 03 of 2021 dated 10 March 2021 on concessions for lease facilities obtained by businesses and individuals in passenger transportation sector as follows:

- (i) accommodate the lease facilities obtained by COVID-19 affected businesses and individuals providing passenger transportation services to tourism sector, under Circular No. 10 of 2021 dated 13 September 2021, and
- (ii) accommodate the lease facilities obtained by other COVID-19 affected businesses and individuals engaged in passenger transportation services under Circular No. 08 of 2021 dated 01 September 2021.

Licensed banks shall make necessary arrangements to implement (i) and (ii) above, expeditiously.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Banking Act Directions No. 16 of 2021

09 December 2021

REGULATORY FRAMEWORK ON TECHNOLOGY RISK MANAGEMENT AND RESILIENCE FOR LICENSED BANKS

In the exercise of the powers conferred by Sections 46(1) and 76(J)(1) of the Banking Act, No. 30 of 1988, as amended, the Monetary Board hereby issues the following Directions on Regulatory Framework on Technology Risk Management and Resilience for licensed commercial banks and licensed specialised banks, hereinafter referred to as licensed banks, with a view to further strengthening the technology risk management and resilience in licensed banks.

- | | |
|---|---|
| 1. Empowerment | <p>1.1 In terms of Section 46(1) of the Banking Act, in order to ensure the soundness of the banking system, the Monetary Board is empowered to issue Directions to all licensed commercial banks, regarding the manner in which any aspect of the business of such bank or banks is to be conducted.</p> <p>1.2 In terms of Section 76(J)(1) of the Banking Act, the Monetary Board is empowered to give Directions to licensed specialised banks or to any category of licensed specialised banks, regarding the manner in which any aspect of the business of such banks is to be conducted.</p> |
| 2. Scope and Applicability | <p>2.1 These Directions shall be applicable to all licensed banks including operations conducted through agents and third-party service providers.</p> |
| 3. Regulatory Framework on Technology Risk Management and Resilience | <p>3.1 All licensed banks shall ensure compliance with the requirements imposed by the regulatory framework on technology risk management and resilience in the Schedule I to these Directions (hereinafter referred to as regulatory framework).</p> <p>3.2 Requirements in the regulatory framework shall be applicable to the entire operations of licensed banks including operations conducted through agents and third-party service providers.</p> |
| 4. Responsibilities of the Board | <p>4.1 The Board of Directors of licensed banks shall establish adequate oversight measures to ensure implementation of the technology risk management and resilience requirements specified in the regulatory framework by the licensed banks.</p> |
| 5. Governance Framework | <p>5.1 Licensed banks shall establish an effective governance framework approved by the Board of Directors of the licensed bank in compliance with the requirements specified in Section 4 of the regulatory framework, to ensure prudent management of technology risks.</p> |
| 6. Assessment of Technology Risk under Supervisory Review Process | <p>6.1 Licensed banks shall ensure technology risk is assessed as a part of the comprehensive assessment of risks in the bank's Internal Capital Adequacy Assessment Process (ICAAP) and adequate level of capital is held to meet any potential technology risk.</p> |
| 7. Role of the Internal Audit | <p>7.1 The internal audit function of the licensed banks shall ensure that compliance with regulatory requirements on technology risk management is assessed and reported to the Board of Directors of the licensed bank through the Board Audit Committee, at least annually.</p> |
| 8. Steps to Secure Compliance | <p>8.1 Licensed banks shall ensure all new technology initiatives comply with Section 9 of the regulatory framework on requirements based on information system infrastructure ownership, management, and location from the date of these Directions.</p> <p>8.2 Licensed banks shall ensure compliance with all other requirements of the regulatory framework as per the timelines set out in Section 10 of the regulatory framework on implementation and transitional arrangements.</p> <p>8.3 Licensed banks designated as Domestic Systemically Important Banks (D-SIBs) shall ensure compliance with the requirements specifically applicable to D-SIBs within 12 months from the date of notification of being designated as a D-SIB or as per Section 10 of the regulatory framework, whichever falls later.</p> |

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Schedule 1 of these Directions can be accessed via

https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Banking_Act_Directions_No_16_of_2021.pdf

Circular No. 13 of 2021

22 December 2021

DEFERMENT OF RECOVERY ACTIONS AGAINST BORROWERS AFFECTED BY COVID-19 PANDEMIC

The Central Bank of Sri Lanka, with a view to meeting the challenges faced by businesses and individuals due to the ongoing COVID-19 pandemic, requests licensed commercial banks and licensed specialised banks, (herein referred to as licensed banks) to suspend all types of recovery actions, including parate execution and forced repossession of leased assets as follows:

1. Licensed banks shall extend the suspension of all recovery actions stipulated in the Circular No.8 of 2021 dated 01 September 2021 on Concessions for COVID-19 Affected Businesses and Individuals up to 31.03.2022.
2. The requirement to suspend all recovery actions stipulated in the Circular No. 10 of 2021 dated 13 September 2021 on Extensions of Debt Moratorium for COVID-19 Affected Businesses and Individuals in the Tourism Industry up to 30.06.2022 shall remain unchanged.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Banking Act Determination No. 01 of 2021

27 December 2021

ANNUAL LICENCE FEE OF LICENSED COMMERCIAL BANKS AND LICENSED SPECIALISED BANKS

Determination made by the Monetary Board of the Central Bank of Sri Lanka under Sections 8 and 76D (6) of the Banking Act, No. 30 of 1988, as amended.

In terms of Sections 8(l) and 76D (6) of the Banking Act No. 30 of 1988, the Monetary Board has determined that every licensed commercial bank and licensed specialised bank shall pay the licence fee in respect of the calendar year 2022 to the Central Bank of Sri Lanka on or before 31 January 2022, based on the total assets of such bank as at the end of 2021, as set out in the Table below.

Table 01: Annual Licence Fee for the Year 2022

Total Assets as at the end 2021 (Rs. Bn)	Licence Fee (Rs. Mn)
Above 2,000	38.0
Above 1,000 to 2,000	35.0
Above 500 to 1,000	28.5
Above 200 to 500	25.0
Above 125 to 200	18.5
Above 75 to 125	12.5
25 to 75	6.5
Less than 25	3.3

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 03 of 2021

30 December 2021

MAXIMUM INTEREST RATES ON FOREIGN CURRENCY DEPOSITS OF LICENSED COMMERCIAL BANKS AND THE NATIONAL SAVINGS BANK

Issued under Section 104(1)(a) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the current and expected macroeconomic developments and the prevailing interest rates on foreign currency deposits of licensed banks, the Monetary Board hereby issues an Order on maximum interest rates to be paid in respect of foreign currency deposit products of licensed commercial banks and the National Savings Bank.

- | | | |
|--|-----|---|
| 1. Empowerment under the Monetary Law Act | 1.1 | In terms of Section 104(1)(a) of the Monetary Law Act, the Monetary Board may from time to time fix the maximum rates of interest which licensed commercial banks and licensed specialised banks may pay upon various classes of deposits. |
| 2. Maximum interest rates on FCY deposits | 2.1 | The maximum interest rates that shall be offered or paid by a licensed commercial bank and the National Savings Bank on foreign currency (FCY) deposits are as follows; <ul style="list-style-type: none"> (i) with a maturity of less than or equal to one year shall be based on the simple average of the primary market yields of 364-days Treasury Bills determined at auctions held during the last calendar month of the previous quarter less 150 basis points, or 5 per cent, whichever is higher and; (ii) with a maturity of more than one year shall be determined based on the market behaviour. |
| | 2.2 | In the case of Special Deposit Accounts in FCY, the additional interest rate that can be offered or paid shall be over and above the interest rate applicable in 2.1 above. |
| 3. Basis of calculation | 3.1 | The auctions for calculating the above average rate, shall be selected based on the auction date falling within the corresponding calendar month, and not the settlement date. |
| | 3.2 | The maximum interest rates for the forthcoming quarter shall be computed on the last working day of the current quarter. |
| 4. SWAP Cost | 4.1 | Considering recent excessive volatility observed in the USD/LKR domestic swap market, and to ensure orderly conduct of the same, licensed banks are hereby instructed to execute USD/LKR swap transactions, subject to a maximum USD interest rate of 10 per cent per annum. Accordingly, the USD/LKR swap points shall be pro-rated based on the above benchmark USD interest rate for the respective tenors until further notice. |
| 5. Regulatory Reporting and Disclosure | 5.1 | Every licensed commercial bank and the National Savings Bank shall; <ul style="list-style-type: none"> (i) submit details of the interest rates offered on FCY deposit products in accordance with the weekly return on 'Rates of Interest', and (ii) make arrangements to inform and display the interest rates offered to customers on FCY deposit products. |
| 6. Implementation | 6.1 | These Orders shall be effective from 31.12.2021 and shall be applicable for new FCY deposits, existing FCY savings deposits and at the renewal of FCY term deposits. |
| 7. Revocation | 7.1 | Monetary Law Act Order No. 02 of 2021 dated 24.08.2021 on Maximum Interest Rates on Foreign Currency Deposits of Licensed Commercial Banks and the National Savings Bank is hereby rescinded. |

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Monetary Law Act Order No. 04 of 2021

31 December 2021

AMENDMENT TO THE MONETARY LAW ACT ORDER NO. 03 OF 2020 ON MAXIMUM INTEREST RATES ON MORTGAGE-BACKED HOUSING LOANS

Issued under Section 104(1)(b) of the Monetary Law Act, No. 58 of 1949, as amended.

Considering the current and expected macroeconomic developments and the prevailing market interest rates of rupee denominated loans and advances granted by licensed banks, the Monetary Board hereby issues an amendment to the Monetary Law Act Order No. 03 of 2020 on Maximum Interest Rates on Mortgage-backed Housing Loans.

Accordingly, Order 3.1 of the cited Monetary Law Act Order shall be replaced as follows.

- | | | |
|---|-----|---|
| 3. Interest Rates and tenure of mortgage-backed housing loans of salaried employees | 3.1 | The applicable maximum interest rates for mortgage-backed housing loans specified under Order 2.1 above shall be: <ul style="list-style-type: none"> (i) A fixed interest rate which shall be the monthly Average Weighted Prime Lending Rate (AWPR) prevailing at the date of disbursement of the loan for the first five years of the loan tenure. |
|---|-----|---|

- (ii) After the first five years, the applicable interest rate will be a floating interest rate linked to the monthly AWPR plus 200 basis points for the remaining tenure of the loan and will be re-priced every six months.
- (iii) The monthly loan instalment for the first five years shall be computed considering AWPR prevailing at the date of disbursement as the interest rate for the entire tenure of the loan.

This Order shall be effective from 01 January 2022.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Guidelines on Reproduction of Sri Lanka Currency Notes

1. Introduction

- 1.1 In terms of Section 49 of the Monetary Law Act, No. 58 of 1949 (MLA), the Central Bank of Sri Lanka (CBSL) has the sole right and authority to issue currency notes and coins in Sri Lanka.
- 1.2 In terms of Section 58 (d) of MLA, any person who without the authority of the Monetary Board of CBSL, reproduces in any form whatsoever, or makes a facsimile of, any currency note shall be guilty of an offence. The purpose of this statutory requirement is to prevent or minimise counterfeit notes and to enhance the image and public trust in the integrity of the currency.
- 1.3 The purpose of these Guidelines on Reproduction of Sri Lanka Currency Notes (Guidelines) is to provide the conditions for any reproduction of currency notes (hereinafter referred to as currency) and the procedure for submission of an application to seek approval of the Monetary Board under Section 58 (d) of MLA.
- 1.4 These Guidelines shall apply to any legal or natural person, irrespective of territory, nationality, etc., who intends to reproduce currency of Sri Lanka.

2. Definition of Reproduction

- i. Reproduction means copying, replicating, imitating or designing any part (more than 25% of a currency note) or the whole of the visual image, contents or appearance of currency notes.
- ii. Reproduction could be done through illustrations, paintings, photographs, pictures, electronic images, print or electronic media including internet, television and films.

- 3. **Conditions of Reproduction** - A person, who satisfies the conditions specified in sections 3.2 to 3.7 below, may be permitted to reproduce Sri Lanka currency notes for purposes given in section 3.1, subject to the approval of the Monetary Board or as stated otherwise.

3.1 Permitted Purposes:

- i. **Educational** - Reproductions for textbooks, magazines, educational articles, research publications, information brochures, virtual museums, libraries, educational articles on electronic media, etc.
- ii. **Commercial** - Advertisements in print or electronic form and other types of related reproductions for commercial purposes.
- iii. **Others** - Any other purpose acceptable to the Monetary Board.

3.2 Any reproduction of currency shall maintain the dignity and image of the currency and any emblem and design thereof.

- 3.3 Reproductions related to or associated with alcohol, smoking or associated with offensive context such as violence or pornography, or related to or associated with any political content; or against public interest shall not be permitted. Further, Reproductions shall not be used for commercial advertising that may encourage obscenity, gambling or any other socially unacceptable practices.

3.4 Reproduction in Print Media

- (a) The reproduction shall not change or distort the image or partial image of the currency note in an inappropriate or derogatory manner and shall not be used in such context.
- (b) The reproduction of any currency note shall not be the same size of the actual currency note. Further, if it is smaller, it shall be less than two-thirds of the respective currency note and if it is to be larger, it shall be at least 150% of the original size of the respective currency note. Any reproduction of a part of a currency note shall meet the same conditions.
- (c) The reproduction shall be made on material clearly different and distinguishable from the paper used for banknotes (i.e., paper produced using cotton pulp).

- (d) The reproduction shall include the word “SPECIMEN” which shall be boldly and visibly printed on the bottom of the currency note in lettering that is not less than one-third the size of the reproduction. In the case of reproduction of overlapping notes, the word “SPECIMEN” shall be printed in the most prominent place of the currency note as specified above. However, the applicant may request from the Superintendent of Currency (SC) of CBSL to waive off this requirement where it is evident that it is not practical to comply with this condition and achieve the purpose of the reproduction. SC shall consider such request and grant the exemption if he is satisfied with the request.
- (e) The reproduction shall be only of one side of the currency note. The currency note shall not be printed on both sides concurrently to resemble an actual currency note.
- (f) Reproduction shall not be used for a coupon or voucher.
- (g) The signatures of the Minister of Finance and Governor of CBSL shall be obliterated by over printing or any other method.
- (h) The name or logo of CBSL shall not be associated with any reproduction.
- (i) The words “This reproduction is approved by the Central Bank of Sri Lanka” shall be indicated just below the reproduced currency note.

3.5 Reproduction in Electronic Media including Web sites and other digital media as still pictures

These types of reproductions shall comply with conditions 3.4 (a), (b), (d), (f), (g) and (h) above. Further, the resolution of an electronic illustration in its original size shall not exceed 72dpi.

3.6 Reproduction in Electronic media including Films, Television screens, videos and other moving pictures

These types of reproductions shall comply with conditions 3.4 (a) and (g).

3.7 All digital files, negatives, master plates or other files, tools or devices that contain or store an image or are used in the creation of, an image or reproduction of currency notes, whether partial or complete, and whether physical or electronic, shall be securely stored to avoid any misuse.

3.8 Further, all items mentioned in 3.7 above shall be permanently destroyed or deleted after their use and not later than one month after the expiry of the validity period of permission granted by the CBSL. An affidavit referring to this action shall be sent to SC of CBSL with a copy to the Criminal Investigation Department (CID) of the Police for their record.

4. Evaluation and Approval Procedure

4.1 A proof of all proposed reproductions either in print or electronic form shall be submitted by the applicant to SC at least 30 days prior to the reproduction along with the application form and checklist as per Annex a, subject to the exceptions specified under sections 5.1 and 5.2 below.

4.2 SC will review all applications received on reproduction of currency and submit his recommendations to the Monetary Board, having considered the compliance of such application with the Guidelines. The Monetary Board shall consider the recommendations of SC and may grant approval for the reproductions for the requested purpose. The maximum duration of approval will depend on the purpose of the application as follows.

- i. **Educational Purposes** – In the case of educational textbooks, the approval granted may be valid until the reprint of the textbooks and for school textbooks of the Ministry of Education, the approval granted would be valid until the textbook is changed due to a change in syllabus. A one-time approval may be granted for foreign Central Banks and Monetary authorities for reproductions to display in their currency museums and other applicants may be granted approval up to 4 (four) years.
- ii. **Commercial Purposes** – Maximum duration of approval will be 1 (one) year.
- iii. **Others** - Maximum duration of approval will be 2 (two) years.

4.3 In the event SC is of the view that a request for reproduction of currency is not in compliance with the Guidelines, such request may be rejected by SC after obtaining the approval of the Deputy Governor, supervising the Currency Department (CRD). In the event the applicant is not satisfied with the decision of SC, he/she may appeal against the decision of SC, to the Monetary Board within one month. The Monetary Board will consider such appeal and the applicant will be informed of the decision of the Monetary Board accordingly.

4.4 A written application for an extension of the term of validity of the approval shall be made to SC not later than one month prior to the expiry date of such approval.

4.5 If any of the proposed reproduction is not compliant with the Guidelines, the applicant will be required to make necessary changes and resubmit his application for approval or to refrain from reproducing the currency notes.

5. General Exemptions

5.1 Since the following types of reproductions of currency do not fall within the definition of Reproduction given in section 2 i. hereof, they are exempted from obtaining approval of the Monetary Board, if the reproduction is;

- a) only an insignificant portion (*less than 25%*) of the currency note, or

- b) only in black and white, or
- c) used in gesturing of using currency notes in print or electronic media, subject to 5.1 a) above.
- 5.2 Persons, who intend to reproduce a currency note which falls within the exceptions stated under sections 5.1 a) to c) above, shall inform SC one month prior to such reproduction with a proof of proposed reproduction. SC, having considered such information, may issue a no objection letter for such reproduction or require such persons to make a new application for reproduction of currency notes in compliance with the Guidelines.
- 5.3 The no objection letter issued by SC for reproductions of currency under section 5.2 shall be valid only for such specific purpose and specified period. A written application should be made to extend the validity period 14 days before expiry of the validity.

6. Non-Compliances

- 6.1 Failure to observe conditions and procedures given in the Guidelines may be construed as an offence under Section 58(d) of MLA and under Sections 478 A (1), 478(B), 478(C) or 478 (D) of the Penal Code and may be punishable with imprisonment of either description for a term which may extend to twenty (20) years and be liable to a fine (**Annex b**).
- 6.2 In addition, the Monetary Board may, in its discretion, require the immediate destruction of the reproduction itself or any copy thereof or any other item in any form involved with such reproduction. In such instance, CBSL may require an affidavit to confirm such destruction.

-End of the Guidelines-

Annex a

Applicants Details	
1	Name:
2	National ID / Passport number:
3	Designation:
4	Name of Organization & Address:
5	Business Registration Number (copy to be attached):
6	Email: Website if any:
7	Telephone (fixed line and mobile):

Reproduction Details	
8	Denomination of the note/s to be reproduced:
9	Nature of reproduction (complete where relevant)
a	Material (specification of the paper):
b	Media which will be used: (Print media, CD, Web sites, social media, television, other...etc.)
c	Number of copies: (each denomination separately if applicable)
10	Whether approval is requested to exclude the word "SPECIMEN" in reproduction (Please refer section 3.4 of the guidelines):

Declaration	
11	Declaration made by the applicant
i	I am aware of and understand my obligations in respect of reproduction of currency notes.
ii	I am aware of the provisions of the Monetary Law Act and the Penal Code with regard to offence of counterfeiting notes (Annex b).
iii	The information I have provided are true and accurate and to the best of my knowledge the proposed reproduction is in compliance with the guidelines issued by CBSL.
iv	I am aware that CBSL has the sole discretion to approve or decline permission to reproduce currency and compliance with the guidelines is not a guarantee that permission will be granted.
v	I am aware that CBSL may at any time without prior notice, amend and revoke an earlier approval and amend the Guidelines.

.....
Date

.....
Signature of Applicant
Seal of Company/Entity

Checklist for granting approval for the reproduction of currency notes for (period) commencing from the (date).

Requirement		Complied	Not complied	Comment
Purpose	Educational			
	Commercial			
	Other			
Conditions	Size			
	Material/Substrate			
	Inclusion of word "SPECIMEN"			
	Whether reproduction is in Black and White			
	Inclusion of the words "This reproduction is approved by CBSL"			
	Print on one side only			
	Signatures have been obliterated			
	No distortion			

.....
Name and Signature of Authorised Officer

(Pls. affix official seal)

Please attach the following to the application.

1. A hard/soft copy of the proposed reproduction of Sri Lanka currency as applicable.
2. A certified copy of the business registration certificate if applicable.

Annex b

Legal Provisions – Reproduction of Currency Notes

- a) Section 58 (d) of Monetary Law Act No.58 of 1949 states that "Any person who without authority of the Monetary Board reproduces in any form whatsoever, or makes a facsimile of, any currency note shall be guilty of an offence".
- b) Section 478A to 478D of the Penal Code states:
- 478 A. (1) Whoever forges or counterfeits, or knowingly performs any part of the process of forging or counterfeiting, any currency note or bank note shall be punished with imprisonment of either description for a term which may extend to twenty years and shall also be liable to fine.
- 478 B. Whoever sells to, or buys or receives from any other person or otherwise traffics in or uses as genuine, any forged or counterfeit currency note or bank note, knowing or having reason to believe the same to be forged or counterfeit, shall be punished with imprisonment of either description for a term which may extend to twenty years and shall also be liable to fine.
- 478 C. Whoever has in his possession any forged or counterfeit currency note or bank note, knowing or having reason to believe the same to be forged or counterfeit bank notes, and intending to use the same as genuine, or that it may be used as genuine, shall be punished with imprisonment of either description for a term which may extend to twenty years or with fine or with both.
- 478 D. Whoever makes, or performs any part of the process of making, or buys or sells, or disposes of, or has in his possession, any machinery, instrument or material for the purpose of being used, or knowing or having reason to believe that it is intended to be used, for forging or counterfeiting any currency note or bank note, shall be punished with imprisonment of either description for a term which may extend to twenty years and shall also be liable to fine.

Circular No. 01 of 2021

21 May 2021

To: All Participating Institutions

CONSOLIDATED OPERATING INSTRUCTIONS ON MARKET OPERATIONS

This refers to Consolidated Operating Instructions on Market Operation No: 35/03/016/007/001, which was issued with effect from 01 November 2016 to Pls to have instructions at one place by incorporating all the Operating Instructions/Circulars issued till 31 October 2016 on matters relating to Open Market Operations (OMOs) and Standing Facilities.

Consolidated Operating Instructions on Market Operations have now been revised and updated by consolidating all the existing Operating Instructions Circulars issued from time to time thereafter by the CBSL up to now on matters relating to OMOs and Standing Facilities.

Accordingly, all Pls are hereby required to comply with the updated Consolidated Operating Instructions on Market Operations (Circular No. 01 of 2021) with effect from 01 June 2021.

C A Abeyasinghe
Director/ Domestic Operations

Annex I

CONSOLIDATED OPERATING INSTRUCTIONS ON MARKET OPERATIONS

1.0 Central Bank of Sri Lanka (CBSL) has issued the "Consolidated Operating Instructions on Market Operations" with effect from 01 November 2016 incorporating all the Operating Instructions/Circulars issued to Participatory Institutions (Pls) till 31 October 2016 on matters relating to Open Market Operations (OMO) and Standing Facilities. All Licensed Commercial Banks (LCBs), Standalone Primary Dealers (the companies appointed as Primary dealers except LCBs) and Employees Provident Fund (EPF) are referred to as Pls.

2.0 Consolidated Operating Instructions on Market Operations have now been revised and updated by consolidating the following Operating Instructions/Circulars (as given in Clause 3.0) issued by the CBSL up to 20 May 2021 on matters relating to OMO and Standing Facilities. Accordingly, under mentioned Operating Instructions/Circulars shall be withdrawn and the new Consolidated Operating Instructions on Market Operations shall come into effect from 01 June 2021.

3.0 List of Operating Instructions/Circulars Consolidated

	Circular Number	Date Issued	Title
01	35/03/016/007/001	01 November 2016	Consolidated Operating Instructions on Market Operations
02	35/03/021/0013/001	23 August 2018	Open Market Operations of the Central Bank of Sri Lanka
03	35/03/016/007/002	14 February 2019	Consolidated Operating Instructions on Market Operations
04	35/03/016/007/003	05 September 2019	Revised Time Schedule for Open Market Operations
05	35/03/016/007/004	05 September 2019	Outright Auctions under Open Market Operations
06	35/03/021/0013/002	05 September 2019	Operating Instructions on Liquidity Support Facility for Standalone Primary Dealers under Open Market Operations
07	35/03/021/0013/003	05 September 2019	Open Market Operations of the Central Bank of Sri Lanka
08	35/03/016/007/005	11 February 2020	Outright Auctions under Open Market Operations
09	35/03/016/007/006	29 June 2020	Introducing Modifications to the Existing System for Standing Facility under Open Market Operations

Section 1: Introduction

4.0 CBSL conducts OMOs with Pls, in order to maintain the stability of Average Weighted Call Money Rate (AWCMR) within an interest rate corridor, the Standing Rate Corridor (SRC). However, under OMO Reverse Repurchase (Reverse Repo) auctions are conducted with LCBs only whereas Liquidity Support Facility auctions in the form of reverse repos are offered to SPDs. The SRC is defined in terms of the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) which form the lower bound and the upper bound of the SRC, respectively. The SRC will be reviewed by the CBSL eight times per year and revised if necessary.

- 5.0 On the basis of an assessment of daily and short-term money market liquidity, market developments and the policy environment, Market Operations Committee (MOC) of the CBSL shall decide whether to absorb liquidity from or to inject liquidity to the market, the amount, the type and the tenure of instruments.
- 6.0 A. Under OMO, PIs shall have access to the following instruments as specified in each sections;
- a. Short-Term Auctions
 - a. Short-Term Repo Auctions (STRP)
 - b. Short-Term Reverse Repo Auctions (STRRP)
 - b. Long-Term Auctions
 - a. Long-Term Repo Auctions (LTRP)
 - b. Long-Term Reverse Repo Auctions (LTRRP)
 - c. Liquidity Support Facility
 - a. Short Term Liquidity Support Facility (STLSF)
 - b. Long Term Liquidity Support Facility (LTLSF)
 - d. Outright Auctions
 - a. Outright Sale Auctions
 - b. Outright Purchase Auctions
 - e. Transactions related to Central Bank Securities (CBSL Securities)
 - a. Issuing of CBSL Securities under the Auction System
 - b. Retirement of CBSL Securities under the Auction System
 - c. CBSL Securities Buy-back facility
 - f. Foreign Exchange Swap Transactions
 - a. Buy-Sell Swaps
 - b. Sell-Buy Swaps
- B. Under the standing facility, PIs shall have access to the following instruments.
- a. Standing Deposit Facility (SDF)
 - b. Standing Lending Facility (SLF)

Section 2: Common Instructions to PIs

- 7.0 The CBSL will announce decision of the MOC on OMO auctions to the PIs through the Online Electronic Bidding System (OEBS) and the Central Integrated Market Monitor (CIMM). The auction system shall be used to conduct OMO except the Standing Facility. PIs shall submit their deals/bids through the OEBS except in a situation outlined in the clause below.
- 8.0 In an event a PI is unable to access the OEBS only due to a technical failure, such a PI is advised to inform the same via telephone to the OMO Division of the Domestic Operations Department (DOD) before the closure of the respective auction or before the cutoff time of the Standing Facility, as applicable. A letter of confirmation of deals/bids duly signed by two Authorised officers shall be submitted via fax or email within 15 minutes after the close of the respective auction or the cutoff time, as applicable, highlighting the nature of such technical failure. Each such deal/bid shall contain all relevant information to enable the DOD to enter each transaction manually. The CBSL may consider such communication as a request to enter a manual deal/bid on behalf of the PIs on the basis of the information provided by them. An incorrect or incomplete information submitted to DOD for manual entry shall result in such request being rejected by the CBSL. Bids received (by fax or email) after the stipulated cutoff times shall not be entertained under any circumstance. The original document of the request should be forwarded to Director of DOD before closure of business on the same day.
- 9.0 All Repurchase (Repo) and Reverse Repurchase (Reverse Repo) auction transactions carried out between a PI and the CBSL in terms of the provisions set-out out in sections 4, 5 and 6 of this Consolidated Operating Instructions are subject to the provisions of the Master Repurchase and Reverse Repurchase Agreement entered into between such PI and the Monetary Board of the CBSL. The terms used in these Operating Instructions shall have the same meanings assigned to them in the Master Repurchase and Reverse Repurchase Agreement.
- 10.0 All SDF and SLF transactions carried out between a PI and the CBSL in terms of the provisions set-out out in section 3 of this Consolidated Operating Instructions are subject to the provisions of the Master Standing Facility Agreement entered into between such PI and the Monetary Board of the CBSL. The terms used in these Operating Instructions shall have the same meanings assigned to them in the Master Standing Facility Agreement.

- 11.0 The CBSL reserves the right to amend, revise or vary any term and/or condition or any part thereof of this Consolidated Operating Instructions with prior notice to PIs.
- 12.0 In the event of any inconsistency or conflict between this Consolidated Operating Instructions and the Master Repurchase and Reverse Repurchase Agreement and/or Master Standing Facility Agreement, this Consolidated Operating Instructions shall prevail.
- 13.0 For all rupee transactions, the minimum value of a deal/bid shall be Rupees one million (Rs. 1,000,000.00) and deals should be in multiples of Rupees one million.
- 14.0 In an event that a PI is unable to view or print the confirmation(s) referred to in the following sections, only due to a technical failure in accessing the OEBS, the Payments and Settlement Department (PSD) of CBSL may send a copy of the confirmation(s) to the PI on request via fax/email.
- 15.0 When entering a deal/bid at the auction, the face value of the security/securities to be allocated to the CBSL for such deal/bid shall be calculated by the system automatically based on the CBSL official buying price/s of the respective security/securities. Such official prices are recorded in LankaSecure and can also be retrieved from the OEBS.
- 16.0 PIs can assign any number of International Security Identification Numbers (ISIN) (multiple ISINs) for a given deal/bid. If a SLF deal or a Reverse Repo bid involves securities carrying more than one ISIN, each such ISIN shall be treated as a separate deal/bid at the final settlement.
- 17.0 Recovery of damages
- a. Failure of a PI to honour a bid/deal on the settlement date
The acceptance by the CBSL of a deal/bid of a PI is binding on the PI and if a PI fails to honor a deal/bid in full, due to unavailability of adequate funds in the settlement account or the adequate quantities of the assigned security in their own accounts, before the close of business of LankaSecure on the settlement date, such PI shall be liable to pay damages to the CBSL in a sum equivalent to the interest component of the respective transaction. Such damages shall be debited to the PI's settlement account with the CBSL on the next business day.
 - b. Default of a PI on the maturity date
In the event of a PI failing to maintain sufficient funds in its settlement account to pay the sell back value (purchase price plus the interest component) before the close of business of LankaSecure on the maturity date (sell back date) a PI shall be liable to pay damages to the CBSL equivalent to sell back value in addition to a default interest payment at a rate of one-tenth of one per centum (0.1%) per day.
 - c. The total sum arising from b above shall be debited to the PI's settlement account with the CBSL on the following business day.
 - d. Failure to honor a bid/deal or default more than once in a calendar year
In the event a PI fails to honor a bid/deal or default more than once in a calendar year, the CBSL may consider suspending the PI from engaging in such transactions for a period of time determined by CBSL. In the event a PI default more than three times in a calendar year, such default interest rate shall be increased to two-tenth of one per centum (0.2%) per day or the CBSL may suspend the PI from engaging in transactions for a period of time determined by CBSL.
- 18.0 Once the auction is closed, no amendments shall be made to the bids placed by a PI at the auction under any circumstance.
- 19.0 Apart from the regular auctions, the CBSL may decide to hold additional auctions during the day, as it deems necessary.
- 20.0 CBSL reserves the right to accept or reject a deal/bid of a PI.
- 21.0 The official buying and selling prices of Treasury bills and Treasury bonds shall be calculated by the CBSL on a daily basis based on the current market prices and developments.
- 22.0 If the Government declares an unscheduled bank holiday and if the maturity date in respect of any transaction falls on such holiday, any obligation of a party to such transaction arising on such day shall be fulfilled by such party on the immediately following business day.
- 23.0 A summary along with time schedule of OMO instruments is given in the Annexure.
- 24.0 All transactions except for SDF will be on Delivery versus Payment (DVP) basis.
- 25.0 Allotment will be made on a 'pro rata' basis in the event more than one successful bid at the cut off rate. Accordingly, the bids at the cut off interest rate may partially be accepted.

- 26.0 Close of Business shall deem to be the time specified for the close of business in the daily operating schedule in the Volume 04 and as amended of the LankaSettle System Rules Version 2.1 or its latest version. Generally, the close of business of LankaSecure is 1630 hours. However, unplanned adjustments to the operating schedule may be adopted by the PSD, at its sole discretion, from time to time to deal with unforeseen contingencies. In such event, the CBSL will adjust the close of business time and inform the participants as necessary.
- 27.0 Pls are not required to submit any settlement instructions.
- 28.0 Substitution of securities which were submitted in connection with SLF, STRRP, LTRRP and LSF transactions shall not be permitted.
- 29.0 Securities transferred to the Domestic Operations Repurchase (DOP) Account of a PI shall not be traded by the PI.

Section 3: Standing Facility

- 30.0 The standing facility shall be an overnight facility where all Pls can avail the SDF to deposit funds at the CBSL or may use the SLF to borrow funds from the CBSL by providing eligible collateral. The amount so deposited or borrowed under the standing facility may be at their own discretion. The sole responsibility of the amount placed/requested through the OEBS under SDF/SLF shall be vested by the Pls. Once the requested amounts are approved by the Central Bank, no amendments shall be made to the bids placed by a PI under any circumstance.

3.1 Standing Deposit Facility (SDF)

- 31.0 The Pls who wish to use the SDF are required to enter the deal electronically by submitting through OEBS not later than 1530 hours.
- 32.0 The applicable interest rate for the SDF shall be the Central Bank SDFR and the "interest component" shall be calculated for the duration of the respective deposit.
- 33.0 PSD of the CBSL will directly debit the PI's settlement account for the value they wish to place at the SDF on the same day as per the daily operating schedule of the LankaSettle System Rules.
- 34.0 The PI shall verify the relevant debit in their settlement account through the Participant Browser Workstation of the LankaSettle System.
- 35.0 Confirmation of Debit SWIFT message, that is a FIN 900, will be sent to the respective account holder confirming the debit into their account for the value they placed at the SDF.
- 36.0 On the maturity date, the PSD will credit the PI's settlement account with the original deposit value plus the interest component, not later than 0830 hours.
- 37.0 Confirmation of Credit SWIFT message, that is a FIN 910, will be sent to the respective account holder confirming the credit into their account not later than 0830 hours on the maturity date.

3.2 Standing Lending Facility (SLF)

- 38.0 The SLF operates on the principles of Reverse Repurchase transactions. Under the SLF, the CBSL shall purchase government securities (Treasury bill(s) and/or Treasury bond(s)) from Pls at an agreed price (purchase price) with an agreement to sell it back on an agreed date at an agreed price (Repurchase price/Sell back price).
- 39.0 The sell back value shall consist of purchase price plus the interest component for the respective deal.
- 40.0 The applicable interest rate for the SLF shall be the Central Bank SLFR and the "interest component" shall be calculated for the duration of the respective lending.
- 41.0 The Pls who wish to use the SLF are required to enter the deal electronically by submitting the amount required and the details of the securities through OEBS not later than 1530 hours.
- 42.0 The PSD will settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount requested) against the receipt of purchased securities in to the Domestic Operations Reverse Repurchase (DRP) Account of the CBSL in LankaSecure not later than 1615 hours on the same day.
- 43.0 A confirmation of SLF deal will be issued by the PSD to the PI electronically through the OEBS not later than 1615 hours on the same day indicating the amount accepted, the ISIN(s), face values, yield rate and the maturity date.
- 44.0 On the maturity date (sell back date), the CBSL shall transfer the purchased securities back to the PI's own security account at LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of the CBSL for the sell back value (Repurchase price) of the securities.

Section 4 : Short-Term Auctions

- 45.0 The Short-Term (ST) auctions shall be in the form of Repo (to absorb liquidity) and Reverse Repo (to inject liquidity) transactions. The tenure of ST auction shall be overnight to 7 days (one week). The exact tenure and the amount offered shall be decided by the MOC as stated in the clause 5.0 of this Consolidated Operating Instructions. The settlement shall be on same day settlement (T+0) basis.
- 46.0 The CBSL shall announce the decision of the MOC on OMO auction by 0930 hours on the same day. The announcement shall include the type of repurchase auction on offer (STRP and STRRP), the amount offered and the maturity date (tenure). STRP and STRRP auctions will be conducted as per the Annexure of Time Schedule and Summary of OMO Instruments.
- 47.0 Each PI is restricted to a maximum of 03 bids and the total value shall be restricted to the amount offered at the respective auction. Each bid shall contain the amount they wish to invest/borrow and the corresponding bidding interest rate.
- 48.0 Results of the STRP, STRRP and STLSF auctions shall be announced 30 minutes after the auction cutoff time on the auction date via the OEBS and CIMM providing the details of - total bids received, amount accepted, weighted average interest rate, maximum and minimum rate of the successful bids. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS.
- 49.0 For each successful bid, securities shall be allocated at the CBSL official selling prices at the STRP. A confirmation for each successful PI in respect of STRP, STRRP and STLSF auctions shall be issued electronically via OEBS within one hour after the release of the auction results. The confirmation shall include the ISIN(s) and the respective face value(s) allocated (recalculated face values if the bid is partially accepted), amount accepted and the repurchase/sale value(s).

4.1 Short-Term Repo (STRP) Auctions

- 50.0 A PI who wishes to invest under the STRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. Any bid at or above the SLFR will be rejected.
- 51.0 The allotment shall be made based on the ascending order of the bidding interest rates quoted by the successful bidder.
- 52.0 The settlement of the transactions will be through the Matched Trade Feed (MTF) facility available at LankaSettle. PSD shall settle the transaction on or before 1315 hours by transferring the allocated securities into the DOP Account of the respective PI in LankaSecure against the receipt of funds (amount accepted) for the sale value of securities to the Settlement Account of the CBSL.
- 53.0 Successful PIs shall ensure that sufficient funds are available in their settlement account to enable the PSD to debit the sales value of securities (amount accepted) in full by 1315 hours.
- 54.0 On the maturity date (Repurchase date), the PSD will credit the repurchase value of the securities to the settlement account of the PI against the receipt of the sold securities to the securities own account or Domestic Operations Borrowed (DOB) account of the CBSL in LankaSecure, on or before 0830 hours.
- 55.0 The Repurchase value shall consist of sales price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).
- 56.0 PIs shall ensure the availability of the Securities Purchased from the CBSL in their DOP Account in LankaSecure on the maturity date (repurchase date) by 0830 hours to enable the reversal of the STRP transaction in full.

4.2 Short-Term Reverse Repo (STRRP) Auctions

- 57.0 A PI who wishes to borrow from the STRRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. PIs are required to submit the security details ISIN(s) together with their bids. Any bid at or below the SDFR will be rejected.
- 58.0 The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidder.
- 59.0 The settlement of the transactions shall be processed on or before 1315 hours on the same day through the MTF facility available at LankaSettle. The PSD shall settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount accepted) against the receipt of purchased securities into the DRP Account of the CBSL in LankaSecure.
- 60.0 On the maturity date (sell back date), the CBSL shall transfer the purchased securities back to the PI's own security account at LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of the CBSL for the sell back value (repurchase price) of the purchased security/securities.

- 61.0 The sell back value shall consist of purchase price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

Section 5: Long Term Auctions

- 62.0 Long Term auctions shall be in the form of Repo and Reverse Repo transactions. The tenure of a long-term auction shall be more than 7 days (more than one week).
- 63.0 The CBSL shall announce the decision of the MOC to conduct a long-term auction by 0930 hours on the auction day or one business day in advance to the auction date. The announcement shall include the type of auction on offer (LTRP, LTRRP and LTLRF), the amount offered, the maturity date (tenure), auction date and the settlement date.
- 64.0 Each PI is restricted to a maximum of 6 bids and the total bid/s value shall be restricted to the amount offered at the respective auction. Each bid shall contain the amount they wish to invest/borrow and the corresponding bidding interest rate. LTRP, LTRRP and LTLRF auction will be conducted as per the Annexure of Time Schedule and Summary of OMO Instruments. Settlement day will be the following business day.
- 65.0 Results of the LTRP, LTRRP and LTLRF auction shall be announced after 30 minutes from the auction cutoff time on the auction date via the OEBS and CIMM providing the details of total bids received, amount accepted, the weighted average interest rate, and the maximum and minimum rate of the successful bids. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction through the OEBS.
- 66.0 For each successful bid, securities shall be allocated at the CBSL official term selling prices for the allotted amount at the LTRP auction. A confirmation for each successful PIs in respect of LTRP, LTRRP and LTLRF auctions shall be issued electronically via OEBS within one hour after the release of the results. The confirmation shall include the ISIN/s and the respective face value/s allocated, amount accepted and the repurchase value/sales value, and the maturity date.

5.1 Long Term Repo (LTRP) Auctions

- 67.0 A PI who wishes to invest in the LTRP auction is required to submit their bid/s on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 68.0 The allotment shall be made based on the ascending order of the bidding interest rates quoted by the successful bidder.
- 69.0 On the settlement date, the settlement of the transactions shall be through the MTF facility available at LankaSettle. The PSD shall settle the transaction on or before 0830 hours on the settlement date by transferring the allocated securities (purchased securities) into the DOP Account of the respective PI in LankaSecure against the receipt of funds (amount accepted) for the sale value of securities (purchase price) to the Settlement Account of the CBSL.
- 70.0 Successful PIs shall ensure that sufficient funds are available in their settlement account to enable the PSD to debit the sales value of securities (amount accepted) in full by 0830 hours on the settlement date.
- 71.0 On the maturity date (repurchase date), the PSD will credit the repurchase value of the securities to the settlement account of the PI against the receipt of the sold securities to the own or DOB account of the CBSL in LankaSecure, on or before 0830 hours.
- 72.0 The repurchase value shall consist of sales price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

5.2 Long Term Reverse Repo (LTRRP) Auctions

- 73.0 A PI who wishes to borrow from the LTRRP auction is required to submit their bid/s electronically through the OEBS by selecting the appropriate auction announcement. PIs are required to submit the security details ISIN(s) together with their bids.
- 74.0 The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidder.
- 75.0 On the settlement date, the settlement of the transactions shall be processed through the MTF facility available at LankaSettle at or before 0830 hours on the following business day. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase price of securities (amount accepted) against the receipt of purchased securities in to the DRP Account of the CBSL in LankaSecure.
- 76.0 On the maturity date (sell back date), the CBSL shall transfer the purchased securities back to the PI's own security account at LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of the CBSL for the sell back value (repurchase price) of the purchased security/securities.

- 77.0 The sell back value shall consist of purchase price of the securities (amount accepted) plus the interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the PI for that bid for the duration of the agreement (tenure).

Section 6: Liquidity Support Facility (LSF)

- 78.0 LSFs are offered in the form of reverse repurchase by the CBSL for Standalone Primary Dealers (SPDs), the companies appointed as Primary dealers except LCBs. The LSF will be available for SPDs when the CBSL conducts reverse repo auctions under the OMOs for LCBs or as decided by the CBSL.
- 79.0 SPDs who intend to borrow funds under the LSF shall submit their bid/s electronically through the OEBS by selecting the relevant auction. Such SPDs shall submit their bids together with security details, ISINs.
- 80.0 The floor rate of the auction under LSF shall be decided by the CBSL based on the maximum accepted bidding rate of the reverse repo auction conducted for LCBs on the same day. The applicable floor rate shall be announced via CIMM and OEBS before the commencement the auction for LSF. Any bid below the floor rate will not be accepted.
- 81.0 The allotment shall be made based on the descending order of the bidding interest rates quoted by the successful bidders.
- 82.0 Substitution of securities submitted for LSF shall not be permitted.
- 83.0 The settlement of the transactions shall be processed on or before 1315 hours on the same day. The PSD of the CBSL shall settle the transaction by crediting the settlement account of the respective SPD for the purchase price of securities (amount accepted) against the receipt of purchased securities into the DRP account of the CBSL in LankaSecure.
- 84.0 On the maturity date (date of re-purchase by the respective SPD), CBSL shall transfer the purchased securities back to the respective SPDs OWN security account at the LankaSecure, not later than 1100 hours, against the receipt of funds into the settlement account of CBSL for the re-purchase value of the security/securities by the SPD.
- 85.0 The re-purchase value shall consist of purchase value of the securities (amount accepted) plus interest component for the respective bid. The interest component of the respective bid shall be calculated based on the amount accepted and the corresponding bidding interest rate of the SPDs for that bid for the duration of the agreement (tenure).

Section 7: Outright Auctions

- 86.0 The CBSL may decide to conduct outright auctions to sell Treasury-bills or bonds (to absorb liquidity on a permanent basis) from its holdings or to purchase them (to inject liquidity on a permanent basis) from the secondary market. All PIs shall have access to outright auctions.
- 87.0 CBSL shall announce the decision of the MOC to conduct an outright auction for Treasury bills by 0930 hours on the auction day or one business day in advance to the auction date while decision to conduct an outright auction for Treasury bonds shall announce with a minimum of one business day in advance to the auction date. The announcement shall include the type of auction on offer (outright sale or purchase), the amount offered (the face value of the securities), maturity date, days to maturity, auction date and the settlement date. The settlement date for outright transactions will be the following business day.
- 88.0 Each PI is restricted to a maximum of 06 bids which are accepted as per time specified in the Annexure and the total bid/s value shall be restricted to the amount offered at the respective auction. Each bid shall contain the face value of the securities they wish to buy/sell, the required maturity period of Treasury-bills/bonds to be purchased/ sold, Coupon rate and coupon date in the case of Treasury bonds purchases, the corresponding bidding interest rate (yield rate) and the expected price.
- 89.0 Results of the outright sale/purchase auction shall be announced within three hours from the auction cutoff time via the OEBS giving the total bids received, amount accepted and the weighted average yield rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction along with the relevant sales price of the securities where applicable, through the OEBS on the auction date.

7.1 Outright Sale Auctions

- 90.0 A PI who wishes to purchase T-bills/bonds on offer from the outright sale auction is required to submit their bid/s on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 91.0 The allotment shall be made based on the ascending order of the bidding interest (yield) rates quoted by the successful bidder.
- 92.0 On the settlement date, the settlement of the transactions shall be through the MTF facility available at LankaSettle. The PSD shall settle the transaction on or before 0830 hours on the settlement date by transferring the securities sold into

the own account of the respective successful bidder (PI) in LankaSecure against the receipt of funds for the sale value of securities (discounted value of the securities sold) to the Settlement Account of the CBSL.

- 93.0 The discounted value of securities sold shall be calculated on the basis of the bidding interest rate (yield rate) of Treasury bills/bonds as the case may be, quoted by the respective successful bidder (PI) and the maturity date of the Treasury bill/bond.

7.2 Outright Purchase Auctions

- 94.0 A PI who wishes to sell T-bills/bonds of the maturities indicated (offered) by the CBSL at the outright purchase auction, is required to submit their bid/s on the auction date electronically through OEBS by selecting the appropriate auction announcement.
- 95.0 The allotment shall be made based on the descending order of the bidding interest (yield) rates quoted by the successful bidder.
- 96.0 The settlement of the transactions shall be processed on or before 0830 hours on the settlement date through the MTF facility available at LankaSettle. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase value of securities (discounted value of the securities purchased), against the receipt of the securities purchased into the own securities account of the CBSL in LankaSecure.
- 97.0 The discounted value of securities shall be calculated on the basis of the bidding interest rate (yield rate) Treasury bills/bonds as the case may be, quoted by the respective successful bidder (PI) and the maturity date of the Treasury bill/bond.

Section 8: Central Bank (CBSL) Securities

- 98.0 The CBSL may decide, as and when it deemed necessary, to issue CBSL securities and/or to early retire the already issued CBSL securities, under Section 91(1)(b) of the Monetary Law Act (Chapter 422) No. 58 of 1949, as part of (OMOs) to absorb excess rupee liquidity.
- 99.0 CBSL may decide to;
- i. Issuing of CBSL Securities under the Auction System
 - ii. Retirement of CBSL Securities under the Auction System
 - iii. CBSL Securities Sell-back facility
- 100.0 The main features of these securities are as follows:
- i. CBSL securities are issued in scripless form.
 - ii. CBSL Securities are negotiable.
 - iii. The terms and regulations applied to the operations of the Scripless Securities Settlement System (SSSS) and the Central Depository System (CDS) will be applied on transferring and the settlement of CBSL securities.
 - iv. CBSL securities are marketable. However, these securities shall not be eligible as a collateral for Intra-day liquidity facility (ILF), SLF or reverse repurchase transactions with the CBSL.
 - v. Similar to government Treasury bills, CBSL securities shall also be issued on a discount basis.
 - vi. PIs are eligible to purchase these securities from the CBSL. The general public may purchase CBSL Securities from the secondary market through commercial banks or primary dealers.
 - vii. Similar to government securities, the primary issue of these securities is subject to the applicable withholding tax on interest income.
 - viii. The tenure (maturity period) of CBSL securities shall be decided by the CBSL.

8.1 Issuing of CBSL Securities under the Auction System (Short Term and Long Term)

- 101.0 CBSL shall announce the decision of the MOC to conduct an auction to issue CBSL securities on the auction day or one business day in advance to the auction date. The auction announcement shall include the type of auction (Short-term or Long-Term), amount offered (face value) and the maturity period of the securities to be sold, date and the time of the auction and the settlement date.
- 102.0 CBSL may decide to issue either short tenure or longer tenure CBSL securities. Short-tenure CBSL securities shall be from 1 day up to 7 days (one week) while longer tenure securities shall be issued for more than 7 days (more than one week).
- 103.0 The auction will be conducted through the OEBS under the option for outright sale auction. A PI who wishes to purchase CBSL securities from the auction, is required to submit their bid/s giving the amount (face value of securities expected to purchase) and the bidding interest (yield) rate on the auction date, during the time indicated in the auction announcement, electronically through the OEBS by selecting the appropriate sale auction announcement.

- 104.0 Each PI is restricted to a maximum of 06 bids for each maturity and the total bid/s value shall be restricted to the amount offered at the respective auction.
- 105.0 The bidding interest (yield) rates quoted by PI, shall be the yield rate with the withholding tax (WHT). Any changes to government tax structure will be applicable as appropriate.
- 106.0 The allotment shall be made based on the ascending order of the bidding interest (yield) rates quoted by the successful bidder.
- 107.0 Results of the auction shall be announced after 30 minutes from the close of the auction via the OEBS providing the details of total bids received, amount accepted and the Weighted Average Yield Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid/s) of the auction along with the relevant sales price (including WHT) of the securities, through the OEBS after 30 minutes from the close of the auction on the auction date.
- 108.0 The sale price (including WHT) of each successful bid shall be calculated by discounting the face value of securities at the bidding interest (yield) rates quoted by the respective PI adjusted for the WHT (after tax rate) for the maturity period of the securities.
- 109.0 A confirmation of the deal/s shall be issued by the PSD to the PI electronically through the OEBS within one hour after the release of the results confirming the amount accepted, ISIN(s), face values, and the maturity date.
- 110.0 The settlement of the transactions shall be made through the MTF facility available at LankaSettle. On the settlement date, the PSD shall settle the transactions at the respective settlement times specified in clause 111 below, by transferring the face value of securities sold into the own account of the respective PI in LankaSecure against the receipt of funds for the sale value of securities (discounted value of the securities sold/price with WHT) to the Settlement Account of the CBSL.
- 111.0 The settlement times shall be as follows;
- i. For short-tenure CBSL security auctions, the settlement shall be made within 2 hours after the close of the respective auction on the auction date.
 - ii. For long tenure CBSL security auctions, the settlement time shall be made on or before 0830 hours on the respective settlement date.
- 112.0 On the maturity date, the system will automatically initiate the maturity settlement by transferring securities to the own securities account of the CBSL and maturity proceeds (face value of the securities) to the settlement account of the PI who held relevant securities on the immediately preceding business day prior to the maturity date, on or before 0830 hours.

8.2 Issue of CBSL Securities at a Pre-determined Rate

- 113.0 The CBSL may issue, CBSL securities to PIs at a pre-determined yield rate.
- 114.0 The maturity period, the yield rate (with withholding tax) and the settlement date of CBSL securities to be issued at a pre-determined rate will be decided by the MOC and announced through OEBS/ CIMM or/and any other means of communication, inviting PIs to purchase them between 1100 hours to 1430 hours on each business day entering into a deal with the OMO Division of DOD.
- 115.0 The PIs who wish to purchase CBSL securities at the pre-determined rates are required to inform the OMO Division of the DOD by telephone or fax message, the amount required to purchase (face value) not later than 1430 hours of the same day.
- 116.0 PIs are requested to submit the amount required to purchase (face value) to the OEBS (under Standing Facility, outright sale option) on or before 1500 hours.
- 117.0 PIs whose deals were accepted could view such acceptance through the OEBS (under Standing Facility outright sale option) by 1500 hours on the same day.
- 118.0 In those cases where the settlement is on the deal date itself, MTF file will be submitted to LankaSecure on or before 1500 hours of the deal date. If the settlement is on a following day, a MTF file will be submitted to LankaSecure on or before 0830 hours on the settlement date.
- 119.0 The system will settle the transaction by transferring securities sold to the respective Own Accounts of the PIs against the receipt of funds to the Settlement Account of the CBSL for the discounted value of the securities sold.
- 120.0 The sale value (sale price including withholding tax) will be calculated by discounting the face value of securities sold by the applicable interest rate adjusted for the withholding tax (after tax rate) for the maturity period of the security.
- 121.0 On the maturity date, the system will automatically initiate the settlement by transferring securities to the CBSL own account and maturity proceeds to RTGS A/c of PIs that held relevant securities on the business day prior to the maturity date.

- 122.0 The CBSL reserves the right to change the yield rate and the maturity period of CBSL securities to be issued under a pre-determined rate as and when it is deemed necessary and such changes will be notified to PIs through OEBS/CIMM or any other means of communication on or before 0930 hours on the day it will become effective.

8.3 Early Retirement of CBSL Securities under the Auction System

- 123.0 The MOC may decide, as and when it is deemed necessary, to retire CBSL securities prior to the respective maturity date/s through an auction.
- 124.0 CBSL shall announce the decision of the MOC to conduct an auction to retire (purchase) CBSL securities prior to the maturity date, on the auction day or one business day in advance to the auction date. The auction announcement shall include the amount offered (face value), the maturity date(s) and the ISIN(s) of the securities to be purchased, date and the time of the auction and the settlement date.
- 125.0 A PI who wishes to sell the respective CBSL securities at the auction, is required to submit their bid/s giving the amount (face value of securities expected to sell) and the bidding interest (yield) rate on the auction date, between 1300 hours and 1400 hours, electronically through the OEBS by selecting the appropriate auction announcement under outright purchase auction option. The settlement time shall be made on or before 0830 hours on the next business day.
- 126.0 Each PI is restricted to a maximum of 06 bids for each maturity (ISIN) and the total bid(s) value shall be restricted to the amount offered at the respective auction.
- 127.0 The allotment shall be made based on the descending order of the bidding interest (yield) rates quoted by the successful bidder.
- 128.0 Results of the auction shall be announced after 30 minutes after the close of the auction via the OEBS giving the total bids received, amount accepted and the Weighted Average Yield Rate. Each bidder (PI) shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid(s)) of the auction and the relevant purchase price of the CBSL securities, through the OEBS after 30 minutes after the close of the auction on the auction date.
- 129.0 The settlement of the transactions shall be processed on or before 0830 hours on the settlement day through the MTF facility available at LankaSettle. PSD shall settle the transaction by crediting the settlement account of the PI for the purchase value of securities (discounted value of the CBSL securities purchased), against the receipt of the CBSL securities into the own securities account of the CBSL in LankaSecure.
- 130.0 The purchase price of the CBSL securities shall be calculated by discounting the value of each successful bid (face value of securities to be purchased) at the rate quoted by the respective PI for the remaining days to maturity of the securities.

8.4 CBSL Securities Sell-Back Facility and Early Retirement at a Predetermined Rate

- 131.0 The CBSL provides following facilities for the PIs in relation to CBSL securities;
- to sell-back their holdings of CBSL securities to the CBSL prior to maturity at the CBSL SLFR.
 - CBSL will retire (purchase) CBSL securities prior to the maturity at a predetermined rate
- 132.0 In the event of 131 (a), PIs are permitted to sell-back their holdings of CBSL securities prior to the maturity dates of the respective CBSL security to the CBSL in case they are in need of liquidity at a discount at an interest rate comparable with the CBSL SLFR for the remaining period of maturity. In the event of 131 (b) CBSL will announce that it intends to retire (purchase) CBSL securities at a predetermined rate giving rate, maturity dates and ISIN of the CBSL securities to be retired prior to maturity.
- 133.0 The PIs who wish to use the above facilities are required to inform the OMO Division of the DOD by telephone or fax stating the amount (face value of the CBSL securities) expected to sell-back not later than 1515 hours.
- 134.0 The PI shall confirm the deal (amount required to sell and the ISIN) electronically by submitting the same through the OEBS by selecting outright purchase option under the standing facility not later than 1515 hours on the same day. The settlement shall be on the same day (T+0) settlement basis.
- 135.0 A confirmation of the deal shall be issued by the PSD to the PI electronically through the OEBS not later than 1615 hours on the same day confirming the amount accepted, ISIN(s), face values, and the yield rate.
- 136.0 The purchase value (purchase price) of the CBSL securities shall be calculated by discounting the face value of the CBSL securities at the CBSL SLFR in the event of 131 (a) and at a predetermined rate in the event of 131 (b), for the remaining days to maturity of the securities.
- 137.0 The settlement of the transactions shall be through the MTF facility available at LankaSettle. PSD shall settle the transaction on or before 1615 hours on the same day, by crediting the settlement account of the PI for the purchase value of securities

(discounted value of the CBSL securities purchased), against the receipt of the securities purchased into the own securities account of the CBSL in LankaSecure.

Section 9 : Foreign Exchange Swap (FX Swap) Transactions

- 138.0 The procedures, guidelines, terms and conditions in this section apply only to LCBs.
- 139.0 The MOC of the CBSL may decide to conduct Foreign Exchange Swap (FX Swap) transactions as an instrument in monetary policy operations either to absorb or inject liquidity from or to the market. FX Swap transactions are those that involve the purchase of one currency against another at an initial date with an agreement to reverse that transaction at a future date at an agreed rate. As long as the nature of the transaction is concerned, FX Swaps are similar to Repos, but with collateral being the foreign currency in place of government securities.
- 140.0 All FX Swap transactions are carried out only between LCBs and the CBSL. The CBSL shall engage in two types of FX Swaps under the OMO;
- i. Sell-Buy FX Swaps; and
 - ii. Buy-Sell FX Swaps
- 141.0 The terms and conditions and the operating procedures for both Sell-Buy and Buy-Sell FX Swap transactions are as outlined in this section.
- 142.0 The tenure of both Sell-Buy and Buy-Sell FX Swap transactions shall be limited to a maximum of 365 days.
- 143.0 The CBSL shall announce the decision of the MOC to conduct a Sell-Buy or Buy-Sell FX Swap auction, by 0930 hours on the auction day or one business day in advance to the auction date. The announcement shall include the amount offered, date of auction, tenure and the settlement date of the 1st leg and the maturity date of the 2nd leg.
- 144.0 An LCB who wishes to enter into FX Swap agreement with the CBSL is required to submit their bids on the auction date electronically through the OEBS by selecting the appropriate auction announcement.
- 145.0 The FX Swap auction shall be opened for bids from 1300 hours – 1400 hours on the auction date.
- 146.0 Bids are accepted only in US dollars (USD) until further notice.
- 147.0 A commercial bank can submit up to a maximum of 06 bids for each tender. The minimum value of a bid shall be US dollars (USD) one million (\$ 1,000,000.00) and bids shall be in multiples of US dollars (USD) one hundred thousand (\$ 100,000). Each bid shall contain the amount in US dollars (USD) and swap points (variable rate tenders).
- 148.0 The Swap points shall be entered into the OEBS in rupee terms with two decimal points. e.g. 0.20 = twenty cents.
- 149.0 The allotment shall be made based on the Swap points quoted by the successful bidder.
- 150.0 In the event of there being bids at the cutoff Swap points in excess of the amount offered, the available quantum of Sell-Buy or Buy-Sell FX Swap shall be allocated among such bidders on a 'pro rata' basis. Accordingly, the bids at the cut off Swap points may partially be accepted.
- 151.0 Results of the FX Swap auction shall be announced after 30 minutes from the close of auction on the auction date via OEBS giving the total bids received, amount accepted and the Weighted Average Swap points.
- 152.0 Each bidder shall be informed of the outcome (rejection, acceptance or partial acceptance of the bid(s)) of the auction along with the allotted value of the FX Swap through the OEBS after 30 minutes from the close of auction on the auction date.
- 153.0 A confirmation of the FX Swap transactions shall be issued to each successful PI electronically via OEBS within one hour after the release of the results confirming the amount accepted, tenure, maturity date, and the Swap points.
- 154.0 The International Operations Department (IOD) of the CBSL shall carry out the respective Sell-Buy or Buy-Sell FX Swap transactions in physical form and shall send deal confirmations to each successful bidder.
- 155.0 Settlement procedure for Sell-Buy or Buy-Sell FX Swap transactions shall be identical to the settlement of other foreign exchange transactions.

Director / Domestic Operations

Annexure

Time Schedule and Summary of OMO Instruments

Details	Instrument							
	Short Term Repo/ Reverse Repo Auctions	Short Term Liquidity Support Facility Auctions	Long Term Repo/ Reverse Repo Auctions	Outright Sales/ Purchases Auctions	Long Term Liquidity Support Facility Auctions	Foreign Exchange SWAP Auctions	Standing Facility	Central Bank Securities
Auction Time	1000 - 1030 hrs	1100 - 1130 hrs	1300 - 1330 hrs	1300 - 1400 hrs	1400 - 1430 hrs	1300 - 1400 hrs	Cutoff time 1530 hrs	Issue - 1100-1430 hrs Retirement - 1300-1400 hrs
Settlement on OEBS	T+0	T+0	T+1	T+1	T+1	T+2	T+0	by 1500 hrs
Settlement time	by 1315 hrs	by 1315 hrs	T+1 by 0830 hrs	T+1 by 0830 hrs	T+1 by 0830 hrs	T+2	SDF - by 1600 hrs SLF - by 1615 hrs (usually settled around 1545 hrs)	by 0830 hrs Sell back facility - T+0 by 1615 hrs Retirement - T+1 by 0830 hrs
Reversal on Maturity date	Repo - by 0800 hrs Reverse Repo - by 1100 hrs	by 1100 hrs	Repo - by 0800 hrs Reverse repo - by 1100 hrs	n/a	by 1100 hrs	by close of business	SDF - by 0800 hrs SLF - by 1100 hrs	by 0830 hrs
Counterparty	LCB and EPF	Standalone Primary Dealers (SPD)	LCB and EPF	LCB, SPD and EPF	SPD	LCB	LCB, SPD and EPF	LCB, SPD and EPF
Tenor	1-7 days	1-7 days	More than 7 days	n/a	More than 7 days	Upto 1 Year	Overnight	Upto 1 Year

Operating Instructions No: 35/01/005/0007/18

19 August 2021

To: CEOs of All Licensed Commercial Banks

RESERVE REQUIREMENTS

Your attention is invited to the notification made by the Monetary Board of the Central Bank of Sri Lanka under Sections 10(c), 93, 94, 96 and 97 of the Monetary Law Act (Chapter 422 of Ceylon Legislative Enactments) as amended and Regulation "D" published in the Gazette Extraordinary of the Democratic Socialist Republic of Sri Lanka No. 1805/39 of 12 April 2013 as amended.

2. All Licensed Commercial Banks are hereby informed that in accordance with the said notification, they should maintain reserves against deposit liabilities denominated in Sri Lankan Rupees at an amount equal to four per centum (4.00%) of the total of such deposit liabilities.
3. Schedule A of Operating Instructions No. 35/01/005/0007/17 of 17 June 2020 is replaced by attached 'Schedule A'.
4. The above amendment is effective from the reserve maintenance period commencing from 01 September 2021. All other instructions contained in our Operating Instructions No. 35/01/005/0007/06 of 22 April 2013 as amended from time to time will continue to apply.

Dr. R A Anil Perera
Director / Domestic Operations

SCHEDULE A

FORM OF REPORT

REPORT OF DAILY AVERAGE RUPEE DEPOSIT LIABILITIES

Name of the Bank :

For the period from (.....) to (.....)

Date

Date

To : Director,
Domestic Operations Department,
Central Bank of Sri Lanka,
Colombo 01.

The average amounts of deposit liabilities reported below are based on the deposit balances shown by the books of the Banks at the close of business of each day of the period specified above.

(i)	(ii)	(iii)	(iv)
Demand Deposits	Time and Savings Deposits	Margins against Letters of Credit/DA Terms	All other Deposit Liabilities¹

¹ In the case of Certificate of Deposits the amount declared should be the paid up value.

REQUIRED RESERVES

For the period commencing

Item	In Sri Lankan Rupees
1. 100% of Average daily total Margins against a. Letters of Credit specified under (i) Circular No. 35/01/005/0010/20 dated 19 September 2018 on 'Margin Requirements against Letters of Credit for importation of Motor Vehicles' or (ii) Circular No. 35/01/005/0010/21 dated 29 September 2018 on 'Margin Requirements against Letters of Credit for importation of Motor Vehicles and Non-Essential Consumer Goods' and b. Imports on Document against Acceptance (DA) Terms specified in Circular No. 02 of 2018 dated 11 October 2018 as the case may be	

2.	4% of Average daily total Rupee Deposit Liabilities excluding (1) above	
3.	Average of Sri Lanka Currency Notes and Coins held over and above 2% of average deposit liabilities covered in 1 and 2, but not exceeding 3%	
4.	Total reserves required to be maintained over the reserve maintenance period (1+2-3)	

We/I hereby certify that the above statement is correct and in accordance with the book of this bank and that the figures shown above are in accordance with the regulations prescribed by the Monetary Board of the Central Bank of Sri Lanka for the purpose.

Date :

.....

Official Signature

Note –

- Deposits and placements made by any institution other than licensed commercial banks, shall be accounted for maintenance of required reserves at prescribed ratios.
- All amounts should be shown to the nearest rupee.

08 September 2021

To: All Licensed Commercial Banks

ORDER MADE BY THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA IN TERMS OF THE PROVISIONS OF SECTION 103 OF THE MONETARY LAW ACT, NO. 58 OF 1949 ON MAINTAINING CASH MARGIN DEPOSIT REQUIREMENTS AGAINST LETTERS OF CREDIT

- Licensed Commercial Banks (LCBs) are hereby directed that with immediate effect, Letters of Credit (LCs) shall not be opened by LCBs for the importation of goods specified in the Schedule attached hereto, unless such LCs are covered by 100 per cent non-interest-bearing cash margin deposit maintained at the respective LCBs at the time of opening the LC.
- LCBs are further directed that the following conditions shall also be applicable for the importation of goods covered by this Order.
 - The cash margin deposit requirements shall be on the total value of the invoice, notwithstanding the fact that the same invoice includes goods which are not covered by this Order.
 - In the case of existing LCs covering the importation of goods covered by this Order, no increase in the value of such LCs shall be permitted by LCBs unless such increase is covered by the cash margin deposits as required in (1) above.
 - LCBs shall not grant any advances to their customers for the purpose of enabling such customers to meet the minimum cash margin deposit requirement imposed by this Order.
 - LCBs shall endorse the relevant invoice certifying whether the cash margin deposit as per this Order has been maintained.
 - The margin deposit shall be released on the production of documentary evidence on payments through the banking channels in Sri Lanka and Customs documents relating to clearance of imports.
- The provisions of this Order shall have effect in addition to any requirement in force for the time being and such other requirements that may be introduced in terms of any law in respect of importation of goods.

Dr. R A Anil Perera

Director/Domestic Operations

Schedule

No.	HS code	No.	HS code	No.	HS code	No.	HS code
1	030441	6	030469	11	040510	16	08051010
2	030449	7	030474	12	040620	17	08052110
3	030451	8	04029990	13	040630	18	080610
4	030461	9	040310	14	040690	19	080620
5	030462	10	040390	15	08041020	20	080810

No.	HS code	No.	HS code	No.	HS code	No.	HS code
21	08109090	64	220421	107	40118090	150	610339
22	110412	65	220510	108	40129010	151	610341
23	110419	66	220820	109	40129090	152	610342
24	110422	67	220830	110	401692	153	610343
25	110423	68	22084010	111	420100	154	610349
26	110429	69	220850	112	420211	155	610413
27	110430	70	220860	113	420212	156	610419
28	110510	71	220870	114	420219	157	610422
29	110520	72	240210	115	420221	158	610423
30	110710	73	24022050	116	420222	159	610429
31	110720	74	24022060	117	420229	160	610431
32	110814	75	24031990	118	420231	161	610432
33	180620	76	24039990	119	420232	162	610433
34	180631	77	33030010	120	420239	163	610439
35	180632	78	33030021	121	420291	164	610442
36	180690	79	33030022	122	420292	165	610443
37	190211	80	33030029	123	420299	166	610444
38	190219	81	330410	124	420310	167	610449
39	190220	82	330420	125	420321	168	610452
40	190230	83	330430	126	420329	169	610453
41	190240	84	330491	127	420330	170	610459
42	190410	85	330499	128	420340	171	610461
43	190420	86	330510	129	42050010	172	610462
44	20091190	87	330520	130	430400	173	610463
45	200971	88	330530	131	44219990	174	610469
46	200979	89	330590	132	570292	175	610510
47	200990	90	330610	133	570320	176	610520
48	220210	91	330690	134	570330	177	610590
49	220291	92	330710	135	570500	178	610610
50	22029910	93	330720	136	610120	179	610620
51	22029930	94	330730	137	610130	180	610690
52	22029940	95	330749	138	610190	181	610711
53	22029951	96	33079090	139	610210	182	610712
54	22029959	97	34011920	140	610220	183	610719
55	22029961	98	34013020	141	610230	184	610721
56	22029969	99	340600	142	610290	185	610729
57	22029970	100	40111010	143	610310	186	610791
58	22029991	101	40111090	144	610322	187	610799
59	22029999	102	40112011	145	610323	188	610811
60	22030010	103	40112019	146	610329	189	610819
61	22030020	104	401130	147	610331	190	610821
62	22030090	105	401170	148	610332	191	610822
63	220410	106	40118010	149	610333	192	610829

No.	HS code	No.	HS code	No.	HS code	No.	HS code
193	610831	236	620111	279	62044990	322	62114292
194	610832	237	620112	280	62045290	323	62114299
195	610839	238	620113	281	62045390	324	62114319
196	610891	239	620119	282	62045990	325	62114392
197	610892	240	620192	283	620461	326	62114399
198	610899	241	620193	284	62046290	327	62114919
199	610910	242	620199	285	62046390	328	62114992
200	610990	243	620211	286	62046990	329	62114999
201	611011	244	620212	287	62052090	330	621210
202	611012	245	620213	288	62053090	331	621220
203	611019	246	620219	289	62059090	332	621230
204	611020	247	620291	290	62061090	333	621290
205	611030	248	620292	291	620620	334	62132090
206	611090	249	620293	292	62063090	335	62139090
207	611120	250	620299	293	62064090	336	62141090
208	611130	251	620311	294	62069090	337	62144090
209	611190	252	62031290	295	620711	338	62149090
210	611211	253	62031990	296	620719	339	621510
211	611212	254	62032290	297	62072290	340	621520
212	611219	255	62032390	298	62079190	341	621590
213	611231	256	62032990	299	62079990	342	621600
214	611239	257	620331	300	62081190	343	630110
215	611241	258	62033290	301	62082190	344	630120
216	611249	259	62033390	302	62082290	345	630130
217	611300	260	62033990	303	62082990	346	630140
218	611420	261	620341	304	62089190	347	630190
219	611430	262	62034290	305	62089290	348	630210
220	611490	263	62034390	306	62089990	349	63022190
221	611510	264	62034990	307	620920	350	63022290
222	611529	265	62041290	308	620930	351	63022990
223	611530	266	62041390	309	620990	352	63023190
224	611594	267	62041990	310	621010	353	63023290
225	611595	268	62042290	311	621020	354	63023990
226	611596	269	62042390	312	621030	355	630240
227	611599	270	62042990	313	621040	356	63025190
228	611610	271	620431	314	621050	357	63025990
229	611691	272	62043290	315	621111	358	63026090
230	611692	273	62043390	316	621112	359	63029190
231	611693	274	62043990	317	621120	360	63029390
232	611699	275	620441	318	62113290	361	63029990
233	611710	276	62044290	319	62113390	362	630312
234	61178010	277	62044390	320	62113990	363	630319
235	61178020	278	62044490	321	62114219	364	630391

No.	HS code	No.	HS code	No.	HS code	No.	HS code
365	630392	409	640590	453	73241010	497	84501232
366	630399	410	650100	454	73241090	498	84501233
367	630411	411	650200	455	732421	499	84501234
368	63041990	412	650400	456	732429	500	84501239
369	630420	413	65050010	457	732490	501	84501910
370	630491	414	65050090	458	76151020	502	84501931
371	63049290	415	65069110	459	76151090	503	84501932
372	63049390	416	65069190	460	821599	504	84501933
373	63049990	417	65069910	461	830520	505	84501934
374	63051090	418	65069990	462	830629	506	84501939
375	630520	419	650700	463	841451	507	850811
376	630532	420	660110	464	841459	508	850940
377	630533	421	660191	465	84151021	509	850980
378	630539	422	660199	466	84151022	510	851010
379	630590	423	670300	467	84151023	511	851020
380	630612	424	670411	468	84151024	512	851030
381	630619	425	670419	469	84151029	513	85131010
382	630622	426	670420	470	84151032	514	85131090
383	630629	427	670490	471	84151033	515	851610
384	630630	428	69120010	472	84151034	516	851621
385	630640	429	701310	473	84151035	517	851629
386	630690	430	701322	474	84151039	518	851631
387	630710	431	701328	475	84158190	519	851632
388	630720	432	701333	476	84158290	520	851633
389	640212	433	701337	477	84158390	521	851640
390	64021910	434	701341	478	84159019	522	851650
391	64021919	435	701342	479	84159029	523	85166010
392	640220	436	701349	480	84181090	524	85166090
393	640291	437	701391	481	84182190	525	851671
394	640299	438	70139990	482	84182920	526	851672
395	640312	439	701810	483	84182990	527	85167910
396	64031910	440	701820	484	84501110	528	85167920
397	64031919	441	732111	485	84501131	529	851680
398	640320	442	732112	486	84501132	530	851711
399	640340	443	732119	487	84501133	531	85171210
400	640351	444	732181	488	84501134	532	85171220
401	640359	445	732182	489	84501139	533	85171290
402	640391	446	732189	490	84501141	534	851718
403	640399	447	732310	491	84501142	535	85258090
404	640411	448	732391	492	84501143	536	852712
405	640419	449	732392	493	84501144	537	852713
406	640420	450	732393	494	84501149	538	852719
407	640510	451	732394	495	84501210	539	852721
408	640520	452	732399	496	84501231	540	852729

No.	HS code	No.	HS code	No.	HS code	No.	HS code
541	852791	562	85291010	583	910521	604	94054090
542	852792	563	85291090	584	920290	605	94055010
543	852799	564	852990	585	920710	606	94055020
544	85285990	565	85392110	586	920890	607	94055090
545	852869	566	85392190	587	94012090	608	940560
546	85287120	567	85392210	588	94013090	609	940591
547	85287190	568	85392220	589	94017190	610	940592
548	85287210	569	85392290	590	94019090	611	94059910
549	85287231	570	853929	591	94032090	612	94059990
550	85287232	571	85392910	592	94039090	613	95030010
551	85287233	572	85392990	593	94051010	614	95030030
552	85287234	573	85393110	594	94051020	615	95030050
553	85287235	574	853949	595	94051090	616	95030070
554	85287236	575	853950	596	94052010	617	95030090
555	85287239	576	853990	597	94052020	618	950420
556	85287241	577	900410	598	94052090	619	950440
557	85287249	578	910121	599	940530	620	950450
558	85287291	579	910211	600	94054010	621	95049090
559	85287299	580	910219	601	94054020	622	950510
560	85287320	581	910221	602	94054030	623	961590
561	85287390	582	910229	603	94054040		

01 October 2021

To: All Licensed Commercial Banks

ORDER MADE BY THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA IN TERMS OF THE PROVISIONS OF SECTION 103 OF THE MONETARY LAW ACT, NO. 58 OF 1949 ON MAINTAINING CASH MARGIN DEPOSIT REQUIREMENTS AGAINST LETTERS OF CREDIT

All Licensed Commercial Banks are hereby informed that the Order made by the Monetary Board of the Central Bank of Sri Lanka in terms of the provisions of Section 103 of the Monetary Law Act, No. 58 of 1949 on maintaining cash margin deposit requirements against Letters of Credit, dated 08 September 2021, is withdrawn with effect from today (01 October 2021).

Dr. R A Anil Perera
Director/Domestic Operations

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 01 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions Issued to Authorised Dealers on Temporary Special Foreign Currency Accounts for Licensed Finance Companies

In terms of the Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 3 of 2017 and Section 9 of the Foreign Exchange Act, No.12 of 2017 (the FEA) read with Sections 6 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain Temporary Special Foreign Currency Accounts (TSFCAs) for Licensed Finance Companies (LFCs) to hedge the foreign exchange risks pertaining to the repayment of foreign currency loans subject to the following.

1.1 Eligible Persons

- (a) LFCs licensed under the Finance Business Act, No. 42 of 2011 (as may be amended).

1.2 Opening and Maintaining the Accounts

- (a) TSFCAs may be opened and maintained in the form of savings or term deposit accounts in the domestic banking unit in the designated foreign currency of the loan.

1.3 Permitted Credits

- (a) Proceeds relating to the foreign currency loans routed through the Inward Investment Accounts (IIAs) of the foreign lender.
- (b) Sri Lanka Rupees (LKR) converted into foreign currency (FCY) for the purpose of repaying the interest and any other charges with respect to the loan, as and when required.
- (c) Transfer of FCY from another AD upon maturity of SWAP agreements or any other derivative instrument until the respective loan is repaid in full.
- (d) Interest earned in FCY on the funds held in the account.

1.4 Permitted Debits

- (a) Transfer of FCY to another AD in order to enter into SWAP or any other derivative instrument as per the respective agreements.
- (b) Transfer of funds to IIAs of the foreign lender for the repayment of the foreign currency loans (including capital, interest, fees and related charges) as per the repayment terms specified in the respective agreements.
- (c) Disbursements in Sri Lanka in LKR.

2. Other Conditions

- (a) TSFCA shall not be overdrawn under any circumstances.
- (b) ADs shall maintain only one TSFCA with respect to each loan obtained by the LFCs.
An affidavit on this effect shall be obtained by the AD from the LFC at the time of opening a TSFCA.
- (c) ADs shall obtain adequate documentary evidence, to establish the bona-fide of the transactions made through the TSFCA and ensure compliance with these Directions.
- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through the TSFCA beyond any statutory record keeping requirements during the maintenance of the account.

3. Closure of TSFCAs

- (a) ADs shall close the TSFCA, if the borrower has fully settled/ repaid the respective loan.
- (b) ADs shall inform such closure to the Director/ Department of Foreign Exchange (D/DFE) via an email to dfem@cbsl.lk within one week from the date of the closure.

- 4. ADs shall require prior permission of the D/DFE, for any transaction/transfer to/from the TSFCA for any purpose which falls outside the purview of these Directions.

5. Reporting Requirements

Statements confirming the credits and debits made to the TSFCA shall be forwarded through the compliance officer of respective AD to the D/DFE on quarterly basis on or before 15th day of the following month by email to dfem@cbsl.lk.

6. For purposes of these Directions

- (a) **“Foreign currency loans”** mean loan obtained from a resident outside Sri Lanka (i.e. foreign lender) as permitted in terms of the Finance Business Act No. 42 of 2011 (as may be amended).
7. Nothing permitted by these Directions shall be construed as exempting, absolving, or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Director-Department of Foreign Exchange

15 January 2021

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2213/34 - WEDNESDAY, FEBRUARY 03, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made by the Minister of Finance under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA

Minister of Finance

Colombo,
03rd February, 2021.

Regulations

1. These regulations may be cited as the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 1 of 2021 and shall come into operation with effect from March 22, 2021.
2. The capital transactions undertaken outside Sri Lanka by a person resident in Sri Lanka as specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or restricted dealer to the extent specified in section 4 of the Act, subject to such limits, terms and conditions specified in these regulations and the Schedule hereto.
3. In executing capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
4. (1) Every authorised dealer or restricted dealer engaged in capital transactions in foreign exchange under these regulations shall ascertain -
 - (a) the bona fide of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations, by obtaining documentary evidence in that behalf.
- (2) Every person engaged in capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
- (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such capital transactions in foreign exchange under these regulations
5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.
6. (1) For the purpose of these regulations “designated foreign currency” means -
 - (a) United States Dollars (USD);
 - (b) Euro; (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;

- (g) Swiss Franc;
 - (h) Canadian Dollars;
 - (i) Hong Kong Dollars;
 - (j) Japanese Yen;
 - (k) Danish Kroner;
 - (l) Norwegian Kroner;
 - (m) Chinese Renminbi; and
 - (n) New Zealand Dollars.
- (2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
7. Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorised Dealers) Regulations No. 1 of 2017 made under the Foreign Exchange Act, No. 12 of 2017, published in the Gazette Extraordinary No. 2045/56 of November 17, 2017 is hereby rescinded, without prejudice to anything done thereunder:
- Provided however, notwithstanding the rescission of the aforesaid Regulations, the Order made under section 22 of the Foreign Exchange Act, No. 12 of 2017, and published in the Gazette Extraordinary No. 2182/37 of July 2, 2020 of which the period of validity was extended by the Order published in the Gazette Extraordinary No. 2206/25 of December 18, 2020 shall have effect during the period so extended.
8. For the purpose of these regulations -
- “Act” means the Foreign Exchange Act, No. 12 of 2017;
- “authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “capital transaction” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Colombo Stock Exchange” means the Colombo Stock Exchange formed and registered under the Companies Act, No. 7 of 2007 and licensed by the Securities and Exchange Commission of Sri Lanka under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987, to operate as a stock exchange;
- “companies limited by guarantee” shall have the same meaning as in the Companies Act, No. 7 of 2007;
- “eligible resident investor” means an eligible resident investor as specified in column I of Table 1 of paragraph 2 of Part I of the Schedule to these regulations other than those referred to in paragraph 3 of Part I of the Schedule to these regulations;
- “emigrant” shall have the same meaning as in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations, No. 3 of 2021 published in the *Gazette Extraordinary* No. 2213/36 of February 03, 2021 as may be amended from time to time;
- “Employee Share Ownership Plan or Employee Share Option Scheme” means a plan or a scheme under which a company incorporated outside Sri Lanka offers an opportunity to acquire its shares or shares of the group of companies, to employees of its branch or subsidiary in Sri Lanka;
- “immediate family members” means parents, spouse and children of the relevant person;
- “Insurance Regulatory Commission of Sri Lanka” means the Insurance Regulatory Commission of Sri Lanka established under the Regulation of Insurance Industry Act, No. 43 of 2000;
- “licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “licensed specialised bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Monetary Board” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “overseas company” shall have the same meaning as in the Companies Act, No. 7 of 2007;
- “repealed Exchange Control Act” means the Exchange Control Act (Chapter 423);
- “restricted dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Securities and Exchange Commission of Sri Lanka” means the Securities and Exchange Commission of Sri Lanka established under the Securities and Exchange Commission of Sri Lanka Act, No. 36 of 1987;
- “Voluntary Social Services Organisations” shall have the same meaning as in the Voluntary Social Services Organisations (Registration and Supervision) Act, No. 31 of 1980.

SCHEDULE
PART I

CAPITAL TRANSACTIONS UNDERTAKEN OUTSIDE SRI LANKA BY A PERSON RESIDENT IN SRI LANKA

1. Any eligible resident investor is permitted -
 - (a) to acquire, hold or dispose of ordinary shares or preference shares or debentures or corporate bonds issued by companies incorporated outside Sri Lanka, units in regulated unit trusts or mutual funds and sovereign bonds issued by foreign governments rated at or above the sovereign credit rating of Sri Lanka at the time of the investment,
 - (b) to set up and maintain a branch, liaison, marketing, agency, project, representative or other similar office (overseas office) in a foreign country (other than by an individual).
2. (1) The outward remittances in respect to the capital transactions specified in paragraph 1 above shall be made through an Outward Investment Account opened and maintained by the eligible resident investor with an authorised dealer or a restricted dealer, subject to the limits specified in Table 1 below and provisions of these regulations:

Table 1 – Limits for Outward Investments

Column I <i>Eligible Resident Investor</i>	Column II <i>Permitted Limits</i>	Column III <i>Type of Investment</i>
(i) Companies listed in the Colombo Stock Exchange	United States Dollars (USD) 2,000,000 or an equivalent amount in any other designated foreign currency, per calendar year.	Ordinary Shares, Units, Preference Shares, Corporate Bonds, Debentures and Sovereign Bonds
(ii) A company not listed in the Colombo Stock Exchange	USD 500,000 or an equivalent amount in any other designated foreign currency, per calendar year	
(iii) Regulated or licensed entities (excluding the eligible investors under (i) and (ii) above), under the Central Bank or the Securities and Exchange Commission of Sri Lanka or the Insurance Regulatory Commission of Sri Lanka	USD 500,000 or an equivalent amount in any other designated foreign currency, per calendar year	
(iv) Employees' Provident Fund established under the Employees' Provident Fund Act, No. 15 of 1958 or any other provident fund approved by the Commissioner General of Labour.	USD 500,000 or an equivalent amount in any other designated foreign currency, per calendar year	
(v) A partnership registered in Sri Lanka	USD 300,000 or an equivalent amount in any other designated foreign currency, for life time	
(vi) An individual or sole proprietorship of such individual (in aggregate)	USD 200,000 or an equivalent amount in any other designated foreign currency, for life time.	
(vii) A company or a partnership	USD 300,000 or an equivalent amount in any other designated foreign currency, per calendar year.	Overseas offices
(viii) licensed commercial banks and licensed specialised banks	USD 500,000 or an equivalent amount in any other designated foreign currency, per calendar year	Branch offices
Permitted investments without being subject to any limitations		
(ix) An individual	Up to the amount in the prospectus of Employee Share Ownership Plan or Employee Share Option Scheme.	Invest in shares of an Employee Share Ownership Plan or Employee Share Option Scheme
(x) licensed commercial banks and licensed specialised banks (only if the investment is in banking operation in overseas)	Up to the limit imposed by the regulator in the investee country	Invest in shares of a subsidiary or invest in a branch office

- (2) The aggregate limits for investments specified in Table 1 above shall consist of the aggregate investments made under these regulations and any outward payment previously made in terms of the general permission granted under the Order published in the Gazette extraordinary No. 1686/50 and the Notices published in the Gazettes extraordinary No. 1686/52 and 1686/53 of January 1, 2011 issued in terms of the repealed Exchange Control Act and by the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried On by Authorised Dealers) Regulations No. 1 of 2017 published in the Gazette extraordinary No. 2045/56 of November 17, 2017.
3. Voluntary social services organizations, a company limited by guarantee and a person resident in Sri Lanka against whom any suit, action or proceeding under the provisions of the repealed Exchange Control Act or prosecution, investigations or any recovery action in terms of the provisions of the Act are pending shall not be eligible to carry out capital transactions for purposes permitted under this Part of the Schedule.
4. Any eligible resident investor who invested under paragraph 1 of this Part of the Schedule, is permitted to acquire and hold shares devolving on such investor by virtue of a corporate action by the issuer or by way of conversion of preference shares or debentures or corporate bonds acquired under these regulations, shares received in terms of the mergers or amalgamations of companies incorporated in or outside Sri Lanka, irrespective of the limits specified in Table 1 of paragraph 2 of this Part of the Schedule.
5. Acquisitions of assets or investments in overseas for no consideration
 - (1) Any person resident in Sri Lanka is permitted to acquire and hold any asset or investment in overseas, where no consideration has to be paid in foreign exchange or in Sri Lanka Rupees or in the form of assets or in exchange of any receivable due from a company incorporated outside Sri Lanka or any person resident in or outside Sri Lanka.
 - (2) The above may include shares received for no consideration under an Employee Share Ownership Plan or an Employee Share Option Scheme, by way of inheritance or gifts to an individual investor by a person resident in or outside Sri Lanka, as promoter shares or golden shares and subsequent shares devolving on such investors by virtue of a corporate action by the issuer or in terms of the mergers or amalgamations of companies incorporated in or outside Sri Lanka.
 - (3) Such acquisitions shall not be subject to the limits specified in Table 1 of paragraph 2 of this Part of the Schedule.
6. Investments in Employee Share Ownership Plan or Employee Share Option Schemes
 - (1) If there is any requirement to make an outward remittance by way of consideration to such overseas company on the basis of a lump-sum remittance from the subsidiary or branch established in Sri Lanka on behalf of its employees, such fund transfers may be effected from an account of such subsidiary or branch established in Sri Lanka, through an authorised dealer or a restricted dealer, upon satisfying with the *bona fide* of the transaction.
 - (2) The subsidiary or branch established in Sri Lanka who intends to make such lump-sum remittance or remittances on behalf of its employees, shall obtain a clearance letter on behalf of each employee from the Head of the Department of Foreign Exchange prior to remitting funds under these regulations and shall provide details of such remittance to the Department of Foreign Exchange, within one week from the date of effecting such remittance.
7. Repatriation of income or disposal or liquidation proceeds of investments into Sri Lanka
 - (1) Any income and any capital proceeds of such investments permitted under paragraphs 1, 2 and 4 of this Part of the Schedule, shall be brought into Sri Lanka through the same Outward Investment Account through which the initial investment was made, within three months from the date of such receipts.
 - (2) In terms of Employee Share Option Scheme or Employee Share Ownership Plan, the requirement of repatriation of the dividends may be subject to any mandatory or optional requirement whereby the dividends are reinvested in shares under such Employee Share Option Scheme or Employee Share Ownership Plan. In the case of a company or branch incorporated in Sri Lanka has remitted funds being a lump-sum remittance on behalf of its employees for the investment under Employee Share Option Scheme or Employee Share Ownership Plan as permitted under subparagraph (1) of paragraph 6 of this Part of the Schedule, such individual employees shall bring any income and proceeds of disposal of such investments into Sri Lanka through an Outward Investment Account opened by such individual investor with an authorised dealer or a restricted dealer.
 - (3) In case of receipt of any income and any proceeds of disposal of any asset or investment in overseas which was acquired as permitted under paragraph 5 of this Part of the Schedule, as applicable, shall be brought into Sri Lanka through an Outward Investment Account or Personal Foreign Currency Account or existing Business Foreign Currency Account of such resident investor opened with an authorised dealer or a restricted dealer subject to the subparagraph (1) of

paragraph 8 of this Part of the Schedule and other conditions specified in this Part of the Schedule, within three months from the date of such receipts.

8. Inheritance of investments made through an Outward Investment Account;

- (1) In case of the investment which was made through an Outward Investment Account by an individual person resident in Sri Lanka, has been inherited by or gifted to a person resident in Sri Lanka being a heir or beneficiary, as permitted under paragraph 5 of this Part of the Schedule, any income or capital proceeds of such investments shall be brought into Sri Lanka through an Outward Investment Account opened by such heir or beneficiary.
- (2) An investment made by an individual resident in Sri Lanka through an Outward Investment Account may be transferred to a person resident outside Sri Lanka subject to the applicable laws of inheritance and succession.

9. In the case of a resident individual investor who becomes an emigrant, the total value of any investment made by such emigrant while being a resident in Sri Lanka through an Outward Investment Account in the country where the said individual has obtained Permanent Residency, shall be deducted from the eligible migration allowance of such individual.

10. Incentives for the resident investors;

An eligible resident investor may be permitted to make investments for purposes permitted under this Part of the Schedule by utilizing funds up to fifty percent of the value of capital gains of previous outward investments credited to the Outward Investment Account, without being subject to the permitted limits specified in the Table 1 of paragraph 2 of this Part of the Schedule.

11. Corporate guarantee and pledging of shares;

- (1) In the event where a company incorporated in Sri Lanka (i.e investor) is required to provide a corporate guarantee on behalf of a company incorporated outside Sri Lanka (i.e. investee) in which the said investor is a shareholder to enable the investee to raise facilities from a financial institution or to facilitate a contract undertaken by the investee, a corporate guarantee may be issued subject to the maximum limit of USD 1,000,000 if the investment in said investee has been made in compliance with the provisions of the repealed Exchange Control Act or this Act and the financial strength of the company is sufficient to bear the liability of the corporate guarantee. The Board of Directors of the company shall ensure that the company has financial strength to meet any contingent liability arising out of the corporate guarantee. The guarantee value shall be proportionate to the percentage shareholding of the investor in the said investee at any given time, the investor is required to furnish the details of each such corporate guarantee (including the copies of the corporate guarantee and the relevant board resolutions) issued under the above permission to the Head of the Department of Foreign Exchange of the Central Bank within 14 days from the effective date of the said guarantee;
- (2) An authorised dealer or a restricted dealer is also permitted to make outward remittances arising from valid claims in respect of the corporate guarantees referred to in subparagraph (1) above, subject to the directions issued by the Central Bank under the provisions of the Act.
- (3) Shares acquired by a resident investor in investee as permitted in these regulations or provisions of the repealed Exchange Control Act may be set as a lien, to secure facilities to be obtained by the investee from a financial institution or to facilitate a contract undertaken by the investee. The lien shall be proportionate to the stake of the shareholding held by the resident investor in the investee.
- (4) Following conditions are also effected to the guarantee or lien permitted under subparagraphs (1) and (3) above
 - (a) a resident investor shall make appropriate legal agreement with investee to recover the value of the claim (in the event of a default) prior to issuing the corporate guarantee or entering into the lien;
 - (b) in the event of a valid claim, the maximum limit of the claim shall be proportionate or lower to the outstanding obligations of the facility;
 - (c) such recoveries as stated in item (a) above shall be brought into the same Outward Investment Account through which the investment was made.

12. Other terms and conditions;

- (1) An eligible resident investor shall obtain a clearance letter from the Head of the Department of Foreign Exchange prior to each outward remittance for investments specified under Table 1 of this Part of the Schedule through an authorised dealer or a restricted dealer. Any eligible resident investor who intends to make subsequent foreign investments, shall provide a certificate obtained from a Fellow member of the Institute of Chartered Accountants of Sri Lanka or Charter holder of

Chartered Financial Analyst (CFA Institute), on the progress and status of the previous investments made by such eligible investor under these regulations or in terms of general permission granted under the repealed Exchange Control Act together with supporting documents, to the Head of the Department of Foreign Exchange. The Head of Department of Foreign Exchange shall issue the said clearance letter upon being satisfied on the progress of said previous investments made by such eligible investor and subject to paragraph 3 of this Part of the Schedule.

- (2) The Board of Directors of the investor company which has made a permitted investment in an unlisted company outside Sri Lanka under these regulations or the repealed Exchange Control Act, shall evaluate the progress of such investment annually and forward a report on the same including the details on profit or loss of the investee, dividend declared by the investee or receipt of dividends by the investor, to the Head of the Department of Foreign Exchange with a copy to the respective authorised dealer or restricted dealer, on or before March 31, of the following year or such other date as may be determined by the Head of the Department of Foreign Exchange in respect of a specific investment.
- (3) The eligible investor (excluding individuals) shall maintain a sound financial position and performance for the last three years, to be eligible to make the permitted investment under these regulations. The eligible investor shall provide a recommendation as may be specified in the directions issued by the Central Bank, from a Fellow member of the Institute of Chartered Accountants or a Charter holder of the Chartered Financial Analyst Institute and the feasibility of the proposed investment, excluding permitted investments in a regulated stock exchange in overseas, to an authorised dealer or a restricted dealer, subject to the directions issued by the Central Bank under the provisions of the Act.

PART II

All existing capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.

PART III

AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

1. Outward Investment Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Outward Investment Accounts, in the name of following eligible persons to deal in capital transactions specified under these regulations, subject to the directions issued by the Central Bank under the provisions of the Act:

- (a) companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 other than a company limited by guarantee;
- (b) a licensed commercial bank or licensed specialised bank;
- (c) regulated or licensed entities (excluding the eligible investors under (a) and (b) above), under the Central Bank, Securities Exchange Commission of Sri Lanka or Insurance Regulatory Commission of Sri Lanka;
- (d) Employees' Provident Fund established under the Employees' Provident Fund Act, No. 15 of 1958 or any other provident fund approved by the Commissioner General of Labour;
- (e) a partnership registered in Sri Lanka; and
- (f) an individual resident in Sri Lanka or/with a sole proprietorship registered in Sri Lanka by such individual (as may be applicable).

2. Other terms and conditions

- (1) The criteria for opening and maintenance of Outward Investment Accounts, permitted debits and credits for such account, shall be as specified in the relevant directions issued by the Central Bank, under the provisions of the Act.
- (2) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain whether the persons seeking to open and maintain the Outward Investment Accounts specified in paragraph 1 of this Part are eligible to open and maintain such account under the criteria specified in the relevant directions issued by the Central Bank under the provisions of the Act. Every authorised dealer or restricted dealer shall maintain, information and documentary evidence relating to the account holders as a proof of their eligibility during the maintenance of the account and for a period not less than six years after the closure of such accounts.

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(Published by Authority)

PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 of 2017

REGULATIONS made by the Minister of Finance under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
03rd February, 2021.

Regulation

1. These regulations may be cited as the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 and shall come into operation with effect from March 22, 2021.
2. The capital transactions undertaken in Sri Lanka by a person Resident Outside Sri Lanka as specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or restricted dealer to the extent specified in section 4 of the Act, subject to such limits, terms and conditions specified in these regulations and the Schedule hereto.
3. In executing capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
4. (1) Every authorised dealer or restricted dealer engaged in capital transactions in foreign exchange under these regulations shall ascertain
 - (a) the *bona fide* of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations, by obtaining documentary evidence in that behalf.
- (2) Every person engaged in capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
- (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such capital transactions in foreign exchange under these regulations.
5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.
6. Any person resident in Sri Lanka (including all intermediaries, stockbrokers, unit trusts, mutual funds and financial institutions) involved with the capital transactions specified in these regulations, shall be responsible to ensure compliance with these regulations when executing such capital transactions.
7. Every overseas company specified in paragraph 1 under heading B of Part I of the Schedule hereto shall be responsible to ensure that it complies with the terms and conditions specified under heading B of Part I of the Schedule hereto.
8. (1) For the purpose of these regulations “designated foreign currency” means
 - (a) United States Dollars (USD);
 - (b) Euro;
 - (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;
 - (g) Swiss Franc;
 - (h) Canadian Dollars;

- (i) Hong Kong Dollars;
 - (j) Japanese Yen;
 - (k) Danish Kroner;
 - (l) Norwegian Kroner;
 - (m) Chinese Renminbi; and
 - (n) New Zealand Dollars.
- (2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
9. Regulations made under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the *Gazette Extraordinary* No. 2112/25 of February 28, 2019 is hereby rescinded, without prejudice to anything done thereunder.
10. For the purpose of these regulations
- “Act” means the Foreign Exchange Act, No. 12 of 2017;
- “authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “capital transaction” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “companies limited by guarantee” shall have the same meaning as in the Companies Act, No. 7 of 2007;
- “conversions to shares” means
- (a) a conversion of preference shares issued by a company incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, under these regulations or the repealed Exchange Control Act, into ordinary shares;
 - (b) a conversion of loans or debt securities obtained or issued by a company incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, under these regulations or the repealed Exchange Control Act, into ordinary shares; or
 - (c) a conversion of the value of imported machinery which was evaluated by the manufacturer or authorised agent of the manufacturer, into ordinary shares in the name of a company incorporated outside Sri Lanka by which the cost of such machinery was incurred;
- “emigrant” shall have the same meaning as in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 published in the *Gazette Extraordinary* No. 2213/36 of February 03, 2021 as may be amended from time to time;
- “entitlement to shares” means any shares issued or transferred by virtue of a corporate action by the issuer or mergers or amalgamations of the companies in or outside Sri Lanka or by way of inheritance to non resident individual (including emigrant) in terms of the law relating to inheritance and succession or gifts to non resident individual (including emigrant) from an immediate family member or a settlement under a court Order;
- “immediate family members” means parents, grandparents, spouse and children;
- “licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “licensed finance company” means a finance company licensed under the Finance Business Act, No. 42 of 2011;
- “licensed financial institution” means
- (a) a licensed commercial bank;
 - (b) a licensed specialised bank;
 - (c) a microfinance company licensed under the Microfinance Act, No. 6 of 2016; or
 - (d) a licensed finance company;
- “licensed specialised bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Minister” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “Monetary Board” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- “overseas company” shall have the same meaning as in the Companies Act, No. 7 of 2007;
- “repealed Exchange Control Act” means the Exchange Control Act (Chapter 423);
- “restricted dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- “retail trade” means the re- sale (sale without transformation) of new and used goods to the general public for personal or household consumptions or utilisation;

“specialised leasing company” means a company registered under the Finance Leasing Act, No. 56 of 2000 to conduct finance leasing business;

“State owned enterprise” means a state owned enterprise of the Government of Sri Lanka of which the share capital over fifty per centum is owned by the Government of Sri Lanka;

“Sri Lanka Development Bonds” means a debt instrument denominated in a foreign currency issued by the Public Debt Department of the Central Bank of Sri Lanka on behalf of the Government of Sri Lanka.

SCHEDULE

PART I

CAPITAL TRANSACTIONS UNDERTAKEN IN SRI LANKA BY A PERSON RESIDENT OUTSIDE SRI LANKA

A. Permitted Investments

1. Any person resident outside Sri Lanka, country funds, regional funds, investment funds and mutual funds established outside Sri Lanka (non-resident investors) may engage in the following types of capital transactions in Sri Lanka.
 - (1) subject to the exclusions and limitations stated in paragraphs 7 and 8, under heading A of this Part of the Schedule, to acquire, hold or divest all classes of shares under an entitlement to shares or conversions to shares issued by Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007;
 - (2) invest in debt securities (excluding listed debt securities) with a tenure of 3 or more years issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (other than licensed commercial banks, licensed specialised banks, licensed finance companies, specialised leasing companies and companies limited by guarantee and overseas companies registered in Sri Lanka) in designated foreign currency or in Sri Lanka Rupees;
 - (3) invest in debt securities issued with the approval of the relevant regulatory authorities in designated foreign currency or Sri Lanka Rupees, by licensed commercial banks, licensed specialised banks, licensed finance companies or specialised leasing companies ;
 - (4) grant loans with a tenure of 3 or more years to companies incorporated under the Companies Act, No. 7 of 2007 in Sri Lanka (other than licensed commercial banks, licensed specialised banks, licensed finance companies, specialised leasing companies and companies limited by guarantee and overseas companies) in designated foreign currency or in Sri Lanka Rupees;
 - (5) grant loans by the parent company incorporated outside Sri Lanka to its branch office or project office registered in Sri Lanka as an overseas company under the Companies Act, No. 7 of 2007, in designated foreign currency or in Sri Lanka Rupees;
 - (6) grant loans to the Government of Sri Lanka or State Owned Enterprises subject to obtaining any approval required from the relevant line Ministry and any other relevant authority;
 - (7) grant loans in foreign currency or Sri Lanka Rupees to licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies, subject to the approval of the relevant regulatory authorities;
 - (8) subject to the provisions or restrictions in any other written law, investments in
 - (a) units in Unit Trusts or Mutual Funds;
 - (b) Government Securities (treasury bills, treasury bonds and any other securities issued by the Government of Sri Lanka);
 - (c) securities issued by the Central Bank of Sri Lanka or any state owned enterprise or any other statutory body;
 - (d) Sri Lanka Development Bonds (SLDBs);
 - (e) Term deposits in, Sri Lanka Rupee or any designated foreign currency in licensed financial institutions, subject to section 4 of the Act;
 - (f) immovable properties ; or
 - (g) listed debt securities;
 - (9) grant loans with a tenure of less than three years to companies as defined in the Companies Act, No. 7 of 2007 in Sri Lanka which hold Business Foreign Currency Accounts, for the purpose of utilising such proceeds of the loan to meet the working capital requirement of the borrower provided that all repayments of such loans are made out of the foreign exchange earnings of the borrower;

- (10) invest in any other investment category approved by the Monetary Board in accordance with such directions as may be issued by the Minister.
2. Non-resident individual may acquire assets referred to in subparagraphs (1), (2), (3) and (8) of paragraph 1 under heading A of this Part of the Schedule, by way of a gift from an immediate family member or by way of an inheritance in terms of the law relating to inheritance and succession or being a settlement under a court Order.
 3. An emigrant may acquire any asset in Sri Lanka, by way of a gift from parents, grandparents, siblings or spouse who is a resident person or an emigrant. An emigrant may acquire any asset in Sri Lanka by way of an inheritance in terms of the law relating to inheritance and succession.
 4. All capital transactions specified in paragraphs 1, 2 and 3 under heading A of this Part of the Schedule, shall be subject to the following conditions
 - (1) Mechanism of channeling funds into or out of Sri Lanka relating to permitted investments
 - (a) the consideration payable for permitted investments referred to above shall be routed through an Inward Investment Account opened and maintained in any designated foreign currency or Sri Lanka Rupees;
 - (b) all income and any capital proceeds derived from such investments shall be credited to the Inward Investment Account through which the investment was made.
 - (c) the requirements of routing funds through an Inward Investment Account of the non-resident investor, specified in items (a) and (b) above are not mandatory for the investments permitted under subparagraphs (4),(5), (6),(7), (8)(a) and (9) and for any other investments permitted under subparagraph (8)(if so permitted by the Monetary Board) of paragraph 1 under heading A of this Part of the Schedule;
 - (d) in the event of remittances directly made for the investments permitted under item (a) of subparagraph (8) of paragraph 1 under heading A of this Part of the Schedule and loans granted to licensed commercial banks, licensed specialised banks, the Government of Sri Lanka and State Owned Enterprises, all income and capital proceeds of such investments may be directly repatriated to the non resident investor by the investee;
 - (e) the proceeds of a loan referred to in subparagraph (9) of paragraph 1 under heading A of this Part of the Schedule shall be credited to a Business Foreign Currency Loan Account opened and maintained by the borrower and all repayments of such loan shall be made through the same Business Foreign Currency Loan Account, subject to the directions issued by the Central Bank under the provisions of the Act. Under no circumstances such loan shall be permitted to be settled by way of conversion of rupees.
 - (2) Any person resident in Sri Lanka other than licensed commercial banks, licensed specialised banks, the Government of Sri Lanka and State owned enterprises, who borrow from a person resident outside Sri Lanka, shall open and maintain an External Commercial Borrowing Account, subject to the directions issued by the Central Bank under the provisions of the Act, to receive the proceeds of such loans and to service and repay the loan.
 - (3) Reporting on Borrowings made under subparagraphs (6) and (7) of paragraph 1 under heading A of this Part of the Schedule
 - (a) in the case of borrowings made by licensed commercial banks and licensed specialised banks, details of such borrowings (including date, the amount of the loan and currency, tenure and profile of the lender) shall be reported to the Head of the Department of Foreign Exchange on or before the fifteenth day of the following month;
 - (b) in the case of borrowings made by Government of Sri Lanka and State Owned enterprises, details of such borrowings (including date, the amount of the loan and currency, tenure and profile of the lender) shall be reported by the Department of External Resources, Department of Public Enterprise and Department of National Budget (as applicable) of the Ministry of Finance, to the Head of the Department of Foreign Exchange within one month of the receipt of the loan proceeds;
 - (4) Loans obtained under subparagraphs (4) and (5) of paragraph 1 under heading A of this Part of the schedule may be repaid by the borrower in full at the end of the term or shall be amortized over the tenure in accordance with the terms of the loan agreement.
 - (5) Repatriation of proceeds of investment or assets inherited or gifted or received under an Order of a court
 - (a) any income and any capital proceeds of the permitted investments transferred to non resident individual in terms of the law relating to inheritance and succession (as applicable) or by way of a gift from an immediate family

member or being a settlement under an Order of any court, may be repatriated only through an Inward Investment Account opened by the beneficiary, if the investment had been made by the initial investor in compliance with these regulations.

- (b) any income and any capital proceeds of the permitted investments transferred to non resident individual, in terms of the inheritance and succession law (as applicable) or by way of a gift from an immediate family member or being a settlement under an Order of any court, may be repatriated only through an Inward Investment Account opened by the beneficiary, if the investment had been made out of inward remittances via a Securities Investment Account (re-designated as Inward Investment Account) or any other account, of the initial investor prior to November 20, 2017.
- (c) any income and any capital proceeds of any permitted investment inherited in terms of the inheritance and succession law from a deceased resident person or gifted from an immediate family member who is a resident or received as a settlement under a court Order in relation to assets held by a resident, by a non resident individual (excluding emigrant), shall be credited and repatriated through a Capital Transaction Rupee Account, subject to the annual allowance of USD 30,000 as per directions issued by the Central Bank under the provisions of the Act.
- (d) any income and any capital proceeds of any permitted investment inherited in terms of the inheritance and succession law or gifted to a non resident individual (excluding emigrant) from another emigrant or an immediate family member who is an emigrant, where such investment has been made by such emigrant while being a resident in Sri Lanka or made through his or her Sri Lanka rupee accounts prior to these regulations coming into effect or made as permitted under paragraph 6 under heading A of this Part of the schedule, shall be credited and repatriated through a Capital Transaction Rupee Account, subject to the annual allowance of USD 30,000, as per directions issued by the Central Bank under the provisions of the Act.
- (e) any income and any capital proceeds of any asset inherited or gifted to an emigrant as permitted under paragraph 3 under heading A of this Part of the Schedule shall be repatriated subject to the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 published in the *Gazette Extraordinary* No. 2213/36 of February 03, 2021, as may be amended from time to time.

(6) Repatriation of the proceeds of investments made prior to November 20, 2017

- (a) any income and any capital proceeds of the above investments made prior to November 20, 2017, may be repatriated only through an Inward Investment Account opened by the investor or directly to an account outside Sri Lanka of the investor in the case of investments made in units in Unit Trusts, subject to submission of evidence of the inward remittances for the investment.
 - (b) in the event where the evidence of the inward remittances are not available for the investments made prior to January 1, 2010, any income and any capital proceeds of such investment may be repatriated only through an Inward Investment Account opened by the non-resident investor or remit directly to an account outside Sri Lanka of the investor in the case of investments made in units in Unit Trusts, upon satisfying with the *bonafide* of the transaction made by the authorised dealer or the restricted dealer.
- (7) In the event where the evidence of the inward remittances are not available for the investments, referred to under item (b) of subparagraph (5) of paragraph 4 under heading A of this Part of the Schedule or made during the period of January 1, 2010 to November 20, 2017, any income or capital proceeds of such investments shall be credited to a Capital Transaction Rupee Account or Non Resident Rupee Account, as the case may be, opened by the investor or beneficiary as the case may be and repatriated subject to the annual allowance of USD 30,000 as per directions issued by the Central Bank under the provisions of the Act.
- (8) Licensed commercial banks, licensed specialised banks, licensed finance companies or specialised leasing companies may convert the debt securities or loans issued or obtained under these regulations into ordinary shares subject to the approval from relevant regulatory authority. Non listed debt securities or loans issued or obtained by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 may only be converted into ordinary shares after the expiry of 18 months from the date of issuance or borrowing, as the case may be. Listed debt securities issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 may only be converted into ordinary shares in compliance with the regulations of Colombo Stock Exchange.

5. Non-resident investors may invest in shares or debt securities of companies not incorporated in Sri Lanka and listed in the Colombo Stock Exchange in Sri Lanka, without any restrictions, by routing funds through the accounts maintained in Offshore Banking Units of any licensed commercial bank in Sri Lanka.

6. Investments by emigrants out of funds held in the Non Resident Rupee Accounts.
- (1) An emigrant is permitted to make investments permitted under sub paragraphs (1), (2), (3) and (8) of paragraph 1 under heading A of this Part of the Schedule except item (d) of sub paragraph (8) of paragraph 1 under heading A of this Part of the schedule, out of the funds held in a Non Resident Rupee Account of the emigrant.
 - (2) All income and capital proceeds of such investments shall be credited to respective Non Resident Rupee Accounts through which the investment was made.
 - (3) All income derived from such investments may be repatriated only through respective Capital Transaction Rupee Account or Emigrants' Remittable Income Account (as applicable), without being subject to the eligible migration allowance, as per the directions issued by the Central Bank under the provisions of the Act.
 - (4) Any capital proceeds of such investments may be repatriated only through respective Capital Transaction Rupee Account subject to the eligible migration allowance, as per the directions issued by the Central Bank under the provisions of the Act.
7. *Exclusions* – The permission under subparagraph (1) of paragraph 1 under heading A of this Part shall not apply in respect of voting shares of a company proposing to carry on or carrying on any of the following businesses
- (1) pawn broking;
 - (2) coastal fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (3) retail trade where capital contributed by persons resident outside Sri Lanka will be less than USD 5 Million.
8. *Limitations*
- (1) The permission under subparagraph (1) of paragraph 1 under heading A of this Part of the Schedule shall apply in respect of voting shares in a company carrying on or proposing to carry on any of the following businesses, only up to 40 per cent of the number of fully paid voting shares of such company or if a special approval has been granted by the Board of Investment of Sri Lanka for a higher percentage of foreign investment in any company, only up to such higher percentage:
 - (a) production of goods where Sri Lanka's exports subject to internationally determined quota restrictions;
 - (b) growing and primary processing of tea, rubber, coconut, cocoa, rice, sugar and spices;
 - (c) mining and primary processing of non-renewable national resources;
 - (d) timber based industries using local timber;
 - (e) deep sea fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (f) mass communication;
 - (g) education;
 - (h) freight forwarding;
 - (i) travel agencies;
 - (j) shipping agencies.
 - (2) The permission under subparagraph (1) of paragraph 1 under heading A of this Part of the Schedule shall apply in respect of voting shares in a company carrying on or proposing to carry on any of the businesses specified below only up to the percentage of the number of fully paid voting shares of such company for which percentage either general or special approval has been granted by the relevant legal or administrative authority established by the Government of Sri Lanka set up for the approval of foreign investments in such businesses
 - (a) air transportation;
 - (b) coastal shipping (as defined by the Minister to whom the subject of shipping is assigned);
 - (c) industrial undertaking as specified in the Second Schedule to the Industrial Promotion Act, No.46 of 1990, namely
 - (i) any industry manufacturing arms, ammunitions, explosives, military vehicles and equipment, aircrafts and other military hardware;
 - (ii) any industry manufacturing poisons, narcotics, alcohol, dangerous drugs and toxic, hazardous or carcinogenic materials;
 - (iii) any industry producing currency, coins, or security documents;
 - (d) large scale mechanized mining of gems;
 - (e) lotteries.

B. Opening and Operating a Place of Business in Sri Lanka

1. (1) An overseas company registered under the Companies Act, No. 7 of 2007, may carry out in Sri Lanka
 - (a) any commercial, trading, or industrial activity, other than the activities specified in paragraph 3 under heading B of this Part of the Schedule, provided that prior permission has been obtained from the relevant legal or administrative authority established by the Government of Sri Lanka to grant approval for foreign investments for the activities specified in paragraph 4 under heading B of this Part of the Schedule; or
 - (b) any non-commercial, non-trading or non-industrial activity such as the activities undertaken or carried out by a liaison office, representative office, regional office or other similar office, provided that such activities do not generate any income directly or indirectly to the overseas company in Sri Lanka.
- (2) An overseas company registered under the Companies Act, No. 7 of 2007, that undertakes or carries on any activity specified above shall
 - (a) in case of a place of business such as a branch office, project office or other similar office, receive a minimum investment of USD 200,000 or equivalent amount in any other designated foreign currencies, channeled through an Inward Investment Account opened by the parent company in overseas with an authorised dealer or a restricted dealer in Sri Lanka to the credit of an account of the overseas company and provide evidence for the proof of said investment, to the Department of Registrar of Companies, within ninety (90) days of the registration. Such funds shall be recorded in the company's books as an investment and such records shall be maintained in the company's books until the company ceases its business in Sri Lanka.
 - (b) in case of a place of business such as a liaison office, representative office or other similar office, receive the funds required for the setting up and maintenance of such place of business through an Inward Investment Account opened by the parent company in overseas with an authorised dealer or a restricted dealer, in Sri Lanka, to the credit of an account of the overseas company.
2. An overseas company referred to in sub paragraph (1) of paragraph 1 under heading B of this Part of the Schedule may remit out of Sri Lanka, their profit, royalty, franchise or other similar payments or surplus funds at the time of termination, net of tax, through the Inward Investment Account of the parent company through which the investment was routed. An overseas company registered prior to November 20, 2017 shall remit out the said payments through an Inward Investment Account of the parent company upon satisfying the authorised dealer or the restricted dealer on the *bona fide* of the transaction.
3. For the purpose of item (a) of sub paragraph (1) of paragraph 1 under heading B of this Part of the Schedule, following commercial, trading and industrial activities are not permitted to be carried out by an overseas company
 - (1) money lending (other than the branches of foreign banks registered in Sri Lanka under the Banking Act, No. 30 of 1988);
 - (2) pawn broking;
 - (3) retail trade where the capital contributed by persons resident outside Sri Lanka is less than USD 5 million after such investment;
 - (4) coastal fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (5) growing and primary processing of tea, rubber, coconut and rice;
 - (6) mining and primary processing of non-renewable national resources;
 - (7) freight forwarding;
 - (8) shipping agency business;
 - (9) mechanized mining of gems; and
 - (10) lotteries.
4. For the purpose of item (a) of subparagraph (1) of paragraph 1 of heading B of this Part of the Schedule, following activities are permitted to be carried out with the prior permission of the relevant legal or administrative authority established by the Government of Sri Lanka to grant approval for foreign investments
 - (1) production of goods where Sri Lanka's exports subject to internationally determined quota restrictions;
 - (2) growing and primary processing of sugar, cocoa and spices;
 - (3) timber based industries using local timber;
 - (4) deep sea fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (5) mass communication;
 - (6) education;
 - (7) outbound travel agency business;
 - (8) local air transportation;
 - (9) any industry manufacturing or producing

- (a) arms, ammunitions, explosives, military vehicles and aircraft equipment and other military hardware;
- (b) poison, narcotics, alcohol, dangerous drugs and toxic hazardous or carcinogenic material; and
- (c) currency, coins and security documents.

PART II

PERMISSION FOR THE ISSUANCE OF SOVEREIGN BONDS BY THE GOVERNMENT OF SRI LANKA

The Government of Sri Lanka is permitted to issue International Sovereign Bonds or other types of debt securities in any foreign currency to any person resident outside Sri Lanka and to make any payment to such persons in relation to such issuance subject to the permissions of relevant authorities on the same.

PART III

PERMISSIONS TO RESIDENT PERSONS

1. Any resident person specified under Part I of this Schedule to deal with the capital transactions stipulated under these regulations, are permitted to issue shares or any permitted securities and bonds or to borrow or to sell immovable properties and to accept deposits, subject to the provisions of these regulations or any other written law in Sri Lanka.
2. Government of Sri Lanka specified under Part I of the Schedule is permitted to issue any permitted securities and bonds or to borrow, subject to the provisions of these regulations or any other written law in Sri Lanka.
3. Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 shall issue, transfer and register shares in the name of a non-resident investor subject to these regulations, irrespective of the means of acquisition or devolvement of such shares.
4. A resident individual who is a parent, grandparent, sibling or spouse of an emigrant is permitted to transfer any assets held in Sri Lanka by way of a gift to an emigrant.
5. Companies as defined in the Companies Act, No. 7 of 2007 or persons resident in Sri Lanka shall issue, transfer or register shares (where applicable) and debt securities permitted under subparagraph (1) and (2) of paragraph 1 under heading A of Part I of the Schedule, within three (3) months from the date of receipt of inward remittances for the investment, unless otherwise granted an extension of time by the Central Bank.
6. Companies as defined in the Companies Act, No. 7 of 2007 is permitted to issue shares subject to the exclusions and limitations stated in paragraphs 7 and 8 under heading A of Part I of the Schedule, within ninety (90) days from the date of publication of these regulations in the *Gazette* for which the inward remittances have either been received prior to November 20, 2017 or for inward remittances received through an Inward Investment Account of such investors prior to the date of publication of these regulations in the *Gazette*. All income and any capital proceeds of such investments shall be repatriated only through an Inward Investment Account opened by the investor upon submission of the evidences for the inward remittance for the investment.

PART IV

All existing capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.

PART V

RE-DESIGNATION OF EXISTING ACCOUNTS & C.

1. All existing External Commercial Borrowing Accounts opened under the provisions of the repealed Exchange Control Act, shall continue to be operated, until full settlement of the foreign currency loans obtained by the resident borrowers through such External Commercial Borrowing Accounts from persons resident outside Sri Lanka.
2. All Inward Investment Accounts re-designated under the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 2 of 2017 published in the *Gazette* extraordinary No. 2045/56 of November 17, 2017 shall, notwithstanding such regulations being rescinded, continue to operate as re-designated

PART VI

AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

1. Inward Investment Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Inward Investment Accounts, in the

name of following eligible persons to deal in capital transactions specified under these regulations

- (1) a non- national, resident in or outside Sri Lanka;
- (2) a Sri Lankan dual citizen, resident in or outside Sri Lanka;
- (3) a Sri Lankan national who has obtained Permanent Residency status or citizenship in another country, resident in or outside Sri Lanka;
- (4) a Sri Lankan citizen employed abroad, resident outside Sri Lanka (excluding emigrants);
- (5) a company incorporated outside Sri Lanka;
- (6) a partnership registered outside Sri Lanka;
- (7) country funds, regional funds, mutual funds, unit trusts and foreign institutional investors, established outside Sri Lanka;
- (8) an administrator or executor of the estate of a deceased person, who maintained an Inward Investment Account with an authorised dealer or a restricted dealer;
- (9) a receiver or liquidator of a company that maintained an Inward Investment Account with an authorised dealer or restricted dealer; and
- (10) Any other person or category of persons who may be authorised by the Central Bank from time to time.

2. External Commercial Borrowing Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain External Commercial Borrowing Accounts in the name of persons who are permitted to borrow from persons resident outside Sri Lanka under the provisions of the Act.

3. Other terms and conditions

- (1) The criteria for opening and maintenance of Inward Investment Accounts and External Commercial Borrowing Accounts and permitted debits and credits for such accounts shall be as specified by the directions issued by the Central Bank under the provisions of the Act.
- (2) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain whether the persons seeking to open and maintain accounts specified in paragraph 1 and 2 of this Part of the Schedule are eligible to open and maintain such account under the criteria specified in the relevant directions issued by the Central Bank under the provisions of the Act. Every authorised dealer or restricted dealer shall maintain information and documentary evidence relating to the account holders as a proof of their eligibility during the maintenance of the account and for a period not less than six years after the closure of such accounts.

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EXTRAORDINARY**

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**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 of 2017**

REGULATIONS made by the Minister of Finance under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
03rd February, 2021.

Regulations

1. These regulations may be cited as the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 and shall come into operation with effect from March 22, 2021.
2. The remittance of funds by emigrants relating to transactions specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or restricted dealer to the extent specified in section 4 of the Act, subject to such limits, terms and conditions specified in these regulations and the Schedule hereto.
3. In executing capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall

- comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
4. (1) Every authorised dealer or restricted dealer engaged in capital transactions in foreign exchange under these regulations shall ascertain -
 - (a) the *bona fide* of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations,
 by obtaining documentary evidence in that behalf.
 - (2) Every person engaged in capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
 - (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such capital transactions in foreign exchange under these regulations.
 5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.
 6. (1) For the purpose of these regulations “designated foreign currency” means
 - (a) United States Dollars (USD);
 - (b) Euro;
 - (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;
 - (g) Swiss Franc;
 - (h) Canadian Dollars;
 - (i) Hong Kong Dollars;
 - (j) Japanese Yen;
 - (k) Danish Kroner;
 - (l) Norwegian Kroner;
 - (m) Chinese Renminbi; and
 - (n) New Zealand Dollars.
 (2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
 7. Notwithstanding the rescission of the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorised Dealers) Regulations No. 1 of 2017 made under the Foreign Exchange Act, No. 12 of 2017, published in the Gazette Extraordinary No. 2045/56 of November 17, 2017, the Order made under section 22 of the Foreign Exchange Act, No. 12 of 2017, and published in the *Gazette Extraordinary* No. 2182/37 of July 2, 2020 of which the period of validity was extended by the Order published in the *Gazette Extraordinary* No. 2206/25 of December 18, 2020, shall have effect during the period so extended.
 8. For the purpose of these regulations

“Act” means the Foreign Exchange Act, No. 12 of 2017;

“authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“capital transaction” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“emigrant” means -

 - (a) a Sri Lankan who has obtained permanent residency status or citizenship in another country;
 - (b) a dual citizen of Sri Lanka whose mother or father was born in Sri Lanka; or
 - (c) a non-Sri Lankan citizen -
 - (i) whose mother or father was born in Sri Lanka; and
 - (ii) whose birth has been registered in Sri Lanka,
 and includes the minors of persons referred to in paragraphs (a), (b) and (c);

“Employees’ Provident Fund” means the Employees’ Provident Fund established by the Employees’ Provident Fund Act, No. 15 of 1958;

“Employees Trust Fund” means the Employees Trust Fund established by the Employees Trust Fund Act, No. 46 of 1980;

“immediate family members” means parents, grandparents, siblings and spouse of the relevant person;

“licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Minister” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Monetary Board” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Parent Migration Scheme” means a scheme operated by a foreign country enabling Sri Lankan parents of a person who has obtained permanent residency status or citizenship in that country, to obtain permanent residency status in such foreign country;

“repealed Exchange Control Act” means the Exchange Control Act (Chapter 423);

“restricted dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“temporary resident visa” means a visa obtained by a citizen of Sri Lanka which falls into a category of visa that entitles the individual to obtain permanent residency status or citizenship in that country at a future date subject to fulfilling specified conditions.

(Regulation 02)

SCHEDULE

PART I

REMITTANCE OF FUNDS BY EMIGRANTS

1. An emigrant who is aged 18 years or above is eligible to claim the migration allowance, which involves the conversion of Sri Lanka Rupees to foreign currency, subject to the limits, terms and conditions set out in these regulations.
2. The migration allowance shall be claimed out of-
 - (1) any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) owned by the emigrant while being a resident in Sri Lanka or acquired by utilizing funds through such person's Sri Lanka Rupee accounts prior to these regulations coming into effect or acquired as permitted under paragraph 8 of this Part of the Schedule;
 - (2) any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets, excluding funds held in the Personal Foreign Currency Accounts or Inward Investment Accounts) that are inherited by an emigrant, from person resident in Sri Lanka;
 - (3) any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets, excluding funds held in the Personal Foreign Currency Accounts or Inward Investment Accounts) that are received as a gift by an emigrant, from an immediate family member who is a person resident in Sri Lanka;
 - (4) any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets, excluding funds held in the Personal Foreign Currency Accounts or Inward Investment Accounts) that are inherited or received by way of a gift to or by the emigrant from another emigrant who is an immediate family member (i.e. transferor) out of the investments, made while being a resident in Sri Lanka or made through his or her Sri Lanka Rupee accounts prior to these regulations coming into effect or inherited by the transferor or received as a gift by the transferor or made as permitted under paragraph 8 of this Part of the Schedule; or
 - (5) monetary gifts received by the emigrant from an immediate family member, being funds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets).
3. The following limits shall be applicable for the migration allowance specified in this Schedule -
 - (1) an initial migration allowance of USD 200,000 per emigrant;
 - (2) an annual migration allowance of USD 30,000; first such annual allowance is transferable after lapse of a minimum of 12 months after the full utilisation of the initial migration allowance. With the exception of the first annual allowance, subsequent allowances shall be transferable per calendar year and can be transferred in accumulation (if the funds have been credited and maintained in a bank account subject to the directions issued by the Central Bank under the provisions of the Act, for such period);
 - (3) for an emigrant who has claimed a part of the initial migration allowance before November 20, 2017, the balance out of USD 150,000 and subsequent annual allowance of USD 30,000 as referred to in subparagraph (2) of paragraph 3 of this Part of the Schedule;

- (4) for an emigrant who has fully utilized the initial migration allowance before November 20, 2017, any accumulated annual allowance of USD 20,000 per calendar year for the years 2013, 2014, 2015 and 2016 and subsequent annual allowance of USD 30,000 as referred to in subparagraph (2) of paragraph 3 of this Part of the Schedule.
4. The total value of the investments made by an emigrant while being a resident in Sri Lanka through an Outward Investment Account, in the country where the said individual has obtained permanent residency or citizenship, shall be deducted from the eligible migration allowance, at the time of claiming the eligible migration allowance.
5. In the event of "Parent Migration Schemes" operated by foreign countries, the funds for the payments to be made to overseas authorities by such individuals for obtaining visa, shall be remitted through the Capital Transaction Rupee Account opened by such individuals subject to the directions issued by the Central Bank under the provisions of the Act. Upon receiving permanent residency in the country to which such payment was made, total amount of such payments shall be deducted from the eligible migration allowance of such individuals at the time of claiming the eligible migration allowance.
6. A Sri Lankan individual who resides in or outside Sri Lanka and has obtained a temporary resident visa in another country, aged 18 years or above, may claim a maximum of USD 30,000 subject to the directions issued by the Central Bank under the provisions of the Act. Such persons may claim the said allowance through a Capital Transaction Rupee Account opened by such persons. The amounts so claimed shall be deducted from the eligible migration allowance at the time of claiming the migration allowance.
7. Method of Repatriation
- (1) Emigrants or persons specified under the paragraphs 5 and 6 of this Part of the Schedule shall open and maintain only one Capital Transaction Rupee Account in the banking system, subject to the direction issued by the Central Bank, for the purpose of repatriating the eligible allowances.
- (2) If an emigrant is required to open and maintain a separate account for the purpose of repatriating his or her income referred to in subparagraph 7(4) of this Part of the Schedule, such person may open and maintain only one Emigrants' Remittable Income Account with an authorised dealer or a restricted dealer, for the same purpose, subject to the directions issued by the Central Bank under the provisions of the Act. However, both Capital Transaction Rupee Account and Emigrants' Remittable Income Account shall be opened and maintained with the same authorised dealer or restricted dealer.
- (3) The migration allowance may be transferred from Capital Transaction Rupee Account to, applicant's Personal Foreign Currency Account or Inward Investment Account or an account at the Offshore Banking Unit in a licensed commercial bank in Sri Lanka or an account outside Sri Lanka, of the emigrant.
- (4) Any income derived from, any assets referred in paragraph 2 of this Part of the Schedule and superannuation benefits (including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits) may be credited to respective Capital Transaction Rupee Account or Emigrants' Remittable Income Account or Non Resident Rupee Account, as the case may be, and shall be repatriated only through the Capital Transaction Rupee Account or Emigrants' Remittable Income Account of the emigrant, without being subject to the eligible migration allowance. Such funds may be transferred from the Capital Transaction Rupee Account or Emigrants' Remittable Income Account to a Personal Foreign Currency Account or Inward Investment Account or an account at an Offshore Banking Unit in a licensed commercial bank in Sri Lanka or an account outside Sri Lanka, of the emigrant.
8. Investments by emigrants out of funds held in Sri Lanka
- (1) An emigrant is permitted to make investments in Sri Lanka as permitted under the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette extraordinary No. 2213/35 of February 03, 2021, out of the funds held in Non Resident Rupee Accounts, of such emigrant.
- (2) All income and capital proceeds of such investments shall be credited to respective Non Resident Rupee Accounts, through which the investment was made.
- (3) All income of such investments shall be repatriated only through respective Capital Transaction Rupee Account or Emigrants' Remittable Income Account of the emigrant, as the case may be, without being subject to the eligible migration allowance, as per the directions issued by the Central Bank under the provisions of the Act.
- (4) Any capital proceeds of such investments may be repatriated only through the Capital Transaction Rupee Account, subject to the eligible migration allowance as may be specified in the directions issued by the Central Bank under the provisions of the Act.

9. In the event an emigrant sells an immovable property which was inherited or purchased by such emigrant utilising Sri Lanka Rupees held in Sri Lanka by such emigrant, to any person resident in or outside Sri Lanka, the payment of consideration with respect to sale of such property shall be paid in Sri Lanka Rupees and credited only to a Non Resident Rupee Account or a Capital Transaction Rupee Account of the emigrant.
10. Other terms and conditions
- (1) An emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country in which he or she has obtained permanent residency status shall inform the authorised dealers with whom he or she is maintaining Sri Lanka Rupee Accounts with regard to his or her migration, in order to re-designate such Rupee accounts of such individual as Non Resident Rupee Accounts. An individual who is already an emigrant shall be required to do so within 6 months of these regulations coming into effect.
 - (2) The migration allowance shall be claimed only at the time of leaving Sri Lanka (initially or subsequently) or at the time during which the emigrant is residing outside Sri Lanka.

PART II

All existing capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.

PART III

RE-DESIGNATION OF ACCOUNTS & C.

1. All Capital Transaction Rupee Accounts except the accounts for which a Registration Number has been issued by the Central Bank, shall be re-designated and continued to be operated as Non Resident Rupee Accounts, within three months from the date of publication of these regulations in the Gazette, subject to the directions issued by the Central Bank under the provisions of the Act.
2. All existing Capital Transaction Rupee Accounts maintained by foreign firms and companies registered outside Sri Lanka and Sri Lankans employed abroad who are residing outside Sri Lanka shall be re-designated and continued to be operated as Non Resident Rupee Accounts and Sri Lanka Rupee Accounts, respectively, within three months from the date of publication of these regulations in the Gazette, subject to the directions issued by the Central Bank under the provisions of the Act.
3. All Sri Lanka Rupee Accounts maintained by an emigrant who expect to leave Sri Lanka for the purpose of permanently settling in the country in which he or she has obtained permanent residency status, shall be re-designated and continued to be operated as Non Resident Rupee Accounts with immediate effect from the time which the authorised dealer or a restricted dealer became aware of such emigrant's migration, subject to any direction issued by the Central Bank under the provisions of the Act.
4. An authorised dealer or a restricted dealer is permitted to open and maintain Emigrants' Remittable Income Accounts in the names of emigrants who have already opened the Capital Transaction Rupee Accounts with the registration number issued by the Head of the Department of Foreign Exchange, subject to any direction issued by the Central Bank under the provisions of the Act.

PART IV

AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

1. Capital Transaction Rupee Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Capital Transaction Rupee Accounts, in the name of the following eligible persons to deal in capital transactions specified under these regulations

- (1) an emigrant, resident in or outside Sri Lanka;
- (2) a non- national resident in or outside Sri Lanka including a minor;
- (3) an individual Sri Lankan who intends to depart under temporary resident visa in another country, aged 18 or above;
- (4) an individual Sri Lankan who is a prospective migrant under a Parent Migration Scheme;
- (5) An administrator or executor of the estate of a deceased person referred to in subparagraphs (1) and (2) above, until the completion of the administration of the estate of such deceased person; or

(6) any other person or category of persons who may be authorised by the Central Bank from time to time.

2. Emigrants' Remittable Income Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Emigrants' Remittable Income Accounts, in the name of the following eligible persons for the purpose of repatriation of his or her current income derived in Sri Lanka referred to in subparagraph 7(4) of Part I of this Schedule, only if there is a regulatory requirement in the country where the emigrant is residing permanently to identify the current income globally derived by such emigrant-

(a) an emigrant;

(b) any other person or category of persons who may be authorised by the Central Bank from time to time.

3. Non Resident Rupee Accounts

An authorised dealer or a restricted dealer is permitted to open and maintain Non Resident Rupee Accounts for emigrants as per the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette extraordinary No. 2213/38 of February 03, 2021, as may be amended from time to time, to facilitate local transactions and permitted investments in Sri Lanka stipulated in paragraph 8 of Part I of this Schedule to these regulations.

4. Other terms and conditions

(1) Any eligible person as specified under paragraph 1 of this Part of the Schedule shall open only one Capital Transaction Rupee Account in the banking system in Sri Lanka.

(2) Any eligible person as specified under paragraph 2 of this Part of the Schedule shall open only one Emigrants' Remittable Income Account in the banking system in Sri Lanka.

(3) Both Capital Transaction Rupee Account and Emigrants' Remittable Income Account shall be opened and maintained with the same authorised dealer or restricted dealer.

(4) The criteria for opening and maintenance of Capital Transaction Rupee Accounts or Emigrants' Remittable Income Account, permitted debits, credits for such account, shall be as specified in the relevant directions issued by the Central Bank under the provisions of the Act.

(5) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain that persons seeking to open and maintain the accounts specified under this Part of the Schedule are eligible to open and maintain such accounts in terms of these Regulations and directions issued by the Central Bank under the provisions of the Act from time to time. Every authorised dealer or restricted dealer shall maintain, information and documentary evidence relating to the account holders as a proof of their eligibility during the maintenance of the account and for a period not less than six years after the closure of such accounts.

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EXTRAORDINARY

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(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made by the Minister of Finance under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA

Minister of Finance

Colombo,
03rd February 2021.

Regulations

1. These regulations may be cited as the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021 and shall come into operation with effect from March 22, 2021.

2. The classes of miscellaneous capital transactions specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or a restricted dealer to the extent specified in section 4 of the Act.
3. In executing miscellaneous capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
4. (1) Every authorised dealer or restricted dealer engaged in miscellaneous capital transactions in foreign exchange under these regulations shall ascertain
 - (a) the bona fide of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations, by obtaining documentary evidence in that behalf.(2) Every person engaged in miscellaneous capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
- (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such miscellaneous capital transactions in foreign exchange under these regulations.
5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or a restricted dealer, who fails to comply with these regulations.
6. Every authorised dealer or restricted dealer referred to in regulation 2 and persons engaged in miscellaneous capital transactions under these regulations through such authorised dealer or restricted dealer, shall retain all information and documentary evidence in proof of the fact that miscellaneous capital transactions they engaged in are permitted transactions under these regulations, for a period of six years from the date of such transactions.
7. All existing miscellaneous capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the miscellaneous capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.
8. (1) For the purpose of these regulations “designated foreign currency” means
 - (a) United States Dollars (USD);
 - (b) Euro;
 - (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;
 - (g) Swiss Franc;
 - (h) Canadian Dollars;
 - (i) Hong Kong Dollars;
 - (j) Japanese Yen;
 - (k) Danish Kroner;
 - (l) Norwegian Kroner;
 - (m) Chinese Renminbi; and
 - (n) New Zealand Dollars.(2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
9. Regulations made under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the Gazette Extraordinary No. 2145/49 of October 17, 2019 is hereby rescinded, without prejudice to anything done thereunder.
10. For the purpose of these regulations

“Act” means the Foreign Exchange Act, No. 12 of 2017;

“authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“capital transaction” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“current transaction” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“immediate family members” means parents, spouse and children;

“Minister” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Monetary Board” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“restricted dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“state owned enterprise” shall have the same meaning as in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette Extraordinary No. 2213/35 of February 03, 2021.

(Regulation 02)

SCHEDULE CLASSES OF MISCELLANEOUS CAPITAL TRANSCATIONS

A. Granting of Loans and Advances in Sri Lanka to Persons resident outside Sri Lanka

Authorised dealers or restricted dealers may grant loans and advances denominated in foreign currency or in Sri Lanka Rupees to the following persons subject to the relevant directions issued by the Central Bank under the provisions of the Act, -

- (1) Sri Lankans who are permanent residents in another country and dual citizens for the purpose of acquisition, construction, development or renovation of a residential property in Sri Lanka.
- (2) Sri Lankans employed outside Sri Lanka for any purpose to be utilised in Sri Lanka and for the purpose of current transactions of the resident immediate family members of such Sri Lankan employed outside Sri Lanka.

B. Granting of Loans and Advances in Sri Lanka to Persons resident outside Sri Lanka

1. Any Sri Lankan citizen who has proceeded outside Sri Lanka for educational purposes is permitted to borrow from banks, financial institutions, universities or educational institutions in foreign countries for the purpose of meeting tuition fees, living expenses and other educational related expenses while undertaking studies abroad and to repay such loans by remitting funds from Sri Lanka.
2. Any authorised dealer or a restricted dealer may make outward remittances to the respective lending institutions being servicing and repayment of loans by parents or guardians in Sri Lanka of such Sri Lankan citizens who have proceeded outside Sri Lanka for educational purpose, after verifying the bonafide of the transaction and obtaining necessary documentary evidence.
3. In the event where aforesaid Sri Lankan citizen obtains a permanent residency visa, a temporary residency visa which entitles for the permanent residency in another country or citizenship of another country (including dual citizenship), outward remittances in respect of repayment of loans shall be subject to the eligible migration allowance of such person.

C. Payments related to Financial Derivative Transactions

An authorised dealer or a restricted dealer may make payments in foreign currency for financial derivative transactions in respect of current transactions and capital transactions (*i.e.*, underlying transactions) permitted under the provisions of the Act, after satisfying themselves with the *bona fide* of such underlying transactions and in compliance with the directions issued by the Central Bank.

D. Release of foreign exchange to persons who intends to leave Sri Lanka under temporary resident visas

An authorised dealer or a restricted dealer may issue reasonable amount of foreign exchange to a person resident in Sri Lanka who intends to leave Sri Lanka under temporary resident visa (other than a temporary resident visa that entitles the individual to obtain permanent residency or citizenship in that country at a future date), being basic allowance for the purpose of initial settlement of such persons, in overseas, subject to a maximum of USD 15,000 or its equivalent in other foreign currency, with an appropriate endorsement made on the passport issued by the Controller General of Immigration and Emigration of Sri Lanka or other relevant authority.

E. Repatriation of Export Proceeds to Sri Lanka by Exporters of Goods

1. Every exporter of goods shall repatriate to Sri Lanka, payments received for the exportation of goods within 180 days or such other period that may be specified by the Central Bank from the date of exportation.
2. Every exporter of goods shall submit related documentary evidence on each exportation to the respective authorised dealer or restricted dealer that receives the payment.
3. Central Bank may introduce a mechanism to monitor the compliance with the requirements under this heading by the exporters of goods and may take such action as it may deem necessary under section 11 or section 26 of the Act, as the case may be.

F. Issuing of Financial Guarantees by a person resident in Sri Lanka in favour of a person resident outside Sri Lanka

1. An authorised dealer or a restricted dealer is permitted to issue and renew bank guarantees, bonds or Standby Letters of Credit, as the case may be, in respect of current transactions and capital transactions, subject to the directions issued by the Central Bank under the provisions of the Act.
2. The Government of Sri Lanka is permitted to issue sovereign guarantees to enable the Government of Sri Lanka or state owned enterprises to issue international bonds or to borrow in designated foreign currencies from a person resident outside Sri Lanka.
3. An authorised dealer or a restricted dealer is also permitted to make outward remittances in respect of valid claims arising from the issuance of such bank guarantees, bonds or standby letters of credit, subject to the directions issued by the Central Bank under the provisions of the Act.

G. Persons permitted to open, maintain and operate an account with a regulated financial institution outside Sri Lanka

1. Following persons are permitted to open, maintain and operate foreign currency accounts with a regulated financial institution outside Sri Lanka -
 - (a) a person resident in Sri Lanka who has proceeded outside Sri Lanka temporarily for business, education or medical purposes;
 - (b) a person resident in Sri Lanka who has at any time prior to or after this Act coming into effect, been a resident outside Sri Lanka and earned or otherwise acquired foreign exchange outside Sri Lanka not involving the conversion of Sri Lanka Rupees into foreign exchange;
 - (c) an individual, a company or a firm registered in Sri Lanka which provides professional or vocational services outside Sri Lanka and receives payment in foreign exchange for such services from a person resident outside Sri Lanka;
 - (d) an individual, a company or a firm registered in Sri Lanka which has been granted general or special permission under the provisions of the Act, to invest outside Sri Lanka, provided such person is required to open an account outside Sri Lanka as a requirement of the said investment;
 - (e) an exporter of merchandise goods;
 - (f) a person who holds permanent residency in another country;
 - (g) a dual citizen;
 - (h) a person resident in Sri Lanka who intends to proceed outside Sri Lanka for education in a country where such person is required by the visa granting authority to open and maintain an account with a regulated financial institution in such country as a condition to grant visa;
 - (i) a company incorporated in Sri Lanka which is eligible to borrow from an overseas bank or financial institution provided such company is required to open an account outside Sri Lanka as a condition of such loan agreement.
2. (1) Any person specified in paragraph 1 of Heading G of this Schedule, who opened and maintained an account with a regulated financial institution outside Sri Lanka may close such accounts for the purposes of complying with these regulations.
 - (2) An account opened by a person specified in paragraph 1 of Heading G of this Schedule may be credited with foreign currency earned, received or acquired legally outside Sri Lanka or obtained in Sri Lanka in the name of such person from an authorised dealer or a restricted dealer under the provisions of the Act.
 - (3) Funds in the accounts opened by persons specified in paragraph 1 of Heading G of this Schedule may be utilized towards any foreign exchange transactions of the account holder.

- (4) A person who is permitted to open and maintain an account with a financial institution outside Sri Lanka under paragraph 1 of Heading G of this Schedule except for categories specified in subparagraphs (b), (c), (f), (g) and (h) therein shall repatriate to Sri Lanka any balance funds remaining in the accounts opened by such person outside Sri Lanka within one month from the date of fulfillment of purposes for which the account was opened.
- (5) Where a person who is permitted to open and maintain an account outside Sri Lanka under the category specified in subparagraph (h) of paragraph 1 of Heading G of this Schedule, has been refused a student visa by such country or decides not to embark on studies after obtaining the student visa, such person shall repatriate all monies lying to the credit of the account opened by such person outside Sri Lanka under this regulation within one month from the date of such decision.

H. Issuance of life insurance policies to non-nationals resident in or outside Sri Lanka

1. A company registered to carry on insurance business in Sri Lanka under the Regulation of Insurance Industry Act, No. 43 of 2000 is permitted to issue life insurance policies denominated in Sri Lanka Rupees or in foreign currency, as the case may be, in respect of non-nationals resident in or outside Sri Lanka (i.e. insured), subject to any written law of Sri Lanka in relation to insurance.
2. An authorised dealer or a restricted dealer is permitted to make outward remittances being payments by a company referred to in paragraph 1 above under this Heading, as benefits (i.e. maturity benefits to the insured in the event where such policy holder outlives the term of the insurance policy, death benefits to the beneficiaries upon the demise of the insured or surrender value) in accordance with the respective life insurance policies, subject to any written law of Sri Lanka in relation to insurance.

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PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made by the Minister of Finance under section 29 read with sections 5, 7 and 8 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
03rd February, 2021.

Regulations

1. These regulations may be cited as the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 and shall come into operation with effect from March 22, 2021.

PART I

AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

2. (1) An authorised dealer or a restricted dealer shall, to the extent specified in section 4 of the Act have the authority to open and maintain foreign exchange accounts or Sri Lanka Rupee accounts specified in regulation 5, in the name of any person for the purpose of dealing in foreign exchange transactions.
- (2) An authorised dealer or a restricted dealer shall, when executing transactions under these Regulations, at all times be required to comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.
3. A regulated Financial Institution resident outside Sri Lanka may open and maintain foreign exchange accounts and Sri Lanka Rupee accounts with any authorised dealer in Sri Lanka (Vostro Accounts) for the settlement of transactions .
4. An Authorised dealer may open and maintain foreign exchange accounts with a bank incorporated outside Sri Lanka (Nostro Accounts), in order to facilitate efficient settlement of foreign exchange transactions in other countries by such authorised dealers.

PART II
TYPES OF ACCOUNTS

5. Following types of accounts may be opened and maintained by an authorised dealer or a restricted dealer to the extent specified in section 4 of the Act -
- (a) Personal Foreign Currency Accounts (PFCAs)
 - (b) Business Foreign Currency Accounts (BFCAs)
 - (c) Diplomatic Foreign Currency Accounts (DFCAs)
 - (d) Diplomatic Rupee Accounts (DRAs)
 - (e) Non-Resident Rupee Accounts (NRRAs)
 - (f) Outward Investment Accounts (OIAs)
 - (g) Inward Investment Accounts (IIAs)
 - (h) Capital Transactions Rupee Accounts (CTRAs)
 - (i) Emigrants' Remittable Income Accounts (ERiAs)
 - (j) External Commercial Borrowing Accounts (ECBAs)
 - (k) Special Foreign Currency Accounts (SFCAs),
subject to such credit and debit limits as may be permitted by the directions issued by the Central Bank under the provisions of the Act.
6. In the case of licensed commercial banks, the accounts specified in regulation 5 shall be opened and maintained in their domestic banking units.
7. No person shall open an account specified in regulation 5 where such person is not eligible to open such account as specified in the Schedule to these regulations.
8. (1) The criteria, for opening and maintenance of each type of accounts specified in regulation 5 and permitted debits and credits for such accounts shall be as specified by directions issued by the Central Bank from time to time under section 9 of the Act.
- (2) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain that persons seeking to open and maintain accounts specified in regulation 5 are eligible to open and maintain such accounts under the criteria specified in the directions issued from time to time by the Central Bank under section 9 of the Act.
9. (1) Every authorised dealer or restricted dealer engaged in transactions in foreign exchange under these regulations shall ascertain
- (a) the *bona fide* of the person who carries out the transaction; and
 - (b) that such transaction is in compliance with these regulations, by obtaining documentary evidence in that behalf.
- (2) Every person engaged in transactions in foreign exchange under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).
- (3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such transactions in foreign exchange under these regulations.
10. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.
11. Every authorised dealer, restricted dealer or any person who engages in transactions in foreign exchange under these regulations through such authorised dealer or restricted dealer, shall retain all information and documentary evidence in proof of the fact that such transactions are permitted transactions under these regulations, for a period of six years from the date of such transactions.

PART III
RE-DESIGNATION OF EXISTING ACCOUNTS & C

12. (1) All Non-Resident Rupee Accounts of foreign banks and foreign exchange houses opened under the provisions of the repealed Exchange Control Act shall continue to be operated as Vostro accounts in Sri Lanka Rupees as specified in regulation 3

- (2) All existing Resident Guest Scheme-Special Accounts and Senior Foreign Nationals' Special Accounts shall continue to be operated with effect from November 17, 2017, without being re-designated.
 - (3) All existing Capital Transactions Rupee Accounts maintained by foreign firms and companies registered outside Sri Lanka and Sri Lankans employed abroad who are residing outside Sri Lanka, excluding emigrants, respectively, shall be redesignated and continue to be operated as Non-Resident Rupee Accounts and Sri Lanka Rupee Accounts, respectively.
 - (4) All existing Foreign Currency Accounts for International Service Providers and their Employees opened by eligible employers and employees resident in Sri Lanka during the period from May 7, 2010 to July 5, 2017 under the provisions of the repealed Exchange Control Act shall be deemed to have been in operation with effect from November 20, 2017 as Business Foreign Currency Accounts and Personal Foreign Currency Accounts, respectively.
 - (5) All existing Post Tsunami Inward Remittances Accounts of Non-Governmental Organizations operating in Sri Lanka opened under the provisions of the repealed Exchange Control Act, shall continue to be operated as Sri Lanka Rupee Accounts.
- 13.** Sri Lankan nationals resident outside Sri Lanka, excluding emigrants, may open and maintain Current, Savings or Term Deposit accounts in Sri Lanka Rupees with authorised dealers or restricted dealers, only for local transactions including investments in Sri Lanka.
- 14.** (1) For the purpose of these regulations "designated foreign currency" means
- (a) United States Dollars;
 - (b) Euro;
 - (c) Sterling Pound;
 - (d) Australian Dollars;
 - (e) Singapore Dollars;
 - (f) Swedish Kroner;
 - (g) Swiss Franc;
 - (h) Canadian Dollars;
 - (i) Hong Kong Dollars;
 - (j) Japanese Yen;
 - (k) Danish Kroner;
 - (l) Norwegian Kroner;
 - (m) Chinese Renminbi; and
 - (n) New Zealand Dollars.
- (2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.
- 15.** Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 2 of 2017 and Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 3 of 2017, made under the Foreign Exchange Act, No. 12 of 2017, published in Gazette Extraordinary No. 2045/56 dated November 17, 2017 are hereby rescinded without prejudice to anything done thereunder:
- Provided however, notwithstanding the rescission of the aforesaid Regulations, the Order made under section 22 of the Foreign Exchange Act, No. 12 of 2017, and published in the Gazette Extraordinary No. 2182/37 of July 2, 2020 of which the period of validity was extended by the Order published in the Gazette Extraordinary No. 2206/25 of December 18, 2020 shall have effect during the period so extended.
- 16.** For the purpose of these regulations—
- "Act" means the Foreign Exchange Act, No. 12 of 2017;
- "authorised dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "restricted dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "Central Bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- "Diplomatic Mission" means an embassy, high commission, consulate, permanent mission of United Nations Organization, European Union delegation of the European Commission, International Monetary Fund, International Bank for Reconstruction and Development, Asian Development Bank or any other similar organization which has been recognized as a diplomatic mission by the Protocol Division of the Ministry of Foreign Affairs (MFA) from time to time;
- "Diplomatic personnel" means citizens of a foreign country represented by a Diplomatic Mission;
- "emigrant" means an emigrant as specified in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 published in the Gazette Extraordinary No. 2213/36 of February 03, 2021.

“licensed commercial bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017; “person” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017; “regulated Financial Institution” means a Financial Institution regulated under any law of a foreign country;

“repealed Exchange Control Act” means the Exchange Control Act (Chapter 423) repealed by Foreign Exchange Act, No. 12 of 2017.

(Regulation 07)

SCHEDULE PERSONS ELIGIBLE TO OPEN ACCOUNTS

1. PERSONAL FOREIGN CURRENCY ACCOUNTS (PFCAs)

- (1) An individual including a minor who is a Sri Lankan National;
- (2) An individual of Sri Lankan origin including a minor who is a resident outside Sri Lanka;
- (3) A non-national resident in Sri Lanka;
- (4) A non-national either on temporary visit to Sri Lanka or intending to visit Sri Lanka; and
- (5) An administrator or executor of the estate of a deceased person, who maintained a Personal Foreign Currency Account with an authorised dealer or a restricted dealer until the completion of the administration of the deceased person’s estate.

2. BUSINESS FOREIGN CURRENCY ACCOUNTS (BFCAs)

- (1) The following persons resident in Sri Lanka who earn foreign exchange from a resident outside Sri Lanka
 - (a) an individual resident in Sri Lanka;
 - (b) a sole proprietorship or partnership registered in Sri Lanka where the proprietor or majority of partners are residents in Sri Lanka (in case of a partnership with two partners, at least one partner shall be a resident in Sri Lanka);
 - (c) a company incorporated in Sri Lanka;
 - (d) a company incorporated outside Sri Lanka which is registered as an overseas company under the Companies Act No. 7 of 2007;
 - (e) a State Institution with the recommendation of the Secretary to the relevant line Ministry or appropriate Authority;
 - (f) an administrator or executor of the estate of a deceased person, who maintained a Business Foreign Currency Account with an authorised dealer or a restricted dealer, until the completion of the administration of the deceased persons estate; and
 - (g) a receiver or liquidator, of a company that maintained a Business Foreign Currency Account with an authorised dealer or a restricted dealer, until proceedings are concluded.
- (2) A Non-Governmental Organization shall not be permitted to open and maintain a Business Foreign Currency Account.

3. DIPLOMATIC FOREIGN CURRENCY ACCOUNTS (DFCAs)

- (1) Foreign Diplomatic Missions;
- (2) Diplomatic personnel who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration; and
- (3) Family members of Diplomatic personnel in Sri Lanka who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

4. DIPLOMATIC RUPEE ACCOUNTS (DRAs)

- (1) Foreign Diplomatic Missions;
- (2) Diplomatic personnel who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration; and
- (3) Family members of Diplomatic personnel in Sri Lanka who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

5. NON-RESIDENT RUPEE ACCOUNTS (NRRAs)

- (1) Firms and companies established or incorporated outside Sri Lanka;
- (2) Emigrants; and
- (3) Any other person who may be authorised by the Central Bank from time to time

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

No. 2213/39 - WEDNESDAY, FEBRUARY 03, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 OF 2017****Order under Section 8**

BY virtue of the powers vested in me by paragraphs (a) and (b) of subsection (1) of section 8 of the Foreign Exchange Act, No. 12 of 2017, I, Mahinda Rajapaksa, Minister of Finance, do by this Order, which shall come into operation with effect from March 22, 2021 prescribe the purposes, limits, terms and conditions as specified in the Schedule hereto, subject to which a person in or resident in Sri Lanka shall

- (a) export from Sri Lanka or import into Sri Lanka, any foreign currency or Sri Lanka currency; or
- (b) hold foreign exchange in his possession or in a bank account in Sri Lanka.

Order made under section 8 of the Foreign Exchange Act, No. 12 of 2017, published in Gazette Extraordinary No. 2182/33 dated July 1, 2020 is hereby revoked, without prejudice to anything done thereunder.

MAHINDA RAJAPAKSA
Minister of Finance

Ministry of Finance,
Colombo 01,
03rd February, 2021

SCHEDULE**PART I****PURPOSES, LIMITS, TERMS AND CONDITIONS FOR EXPORT AND IMPORT OF FOREIGN CURRENCY OR SRI LANKA CURRENCY**

1. (1) Any person departing from or arriving in Sri Lanka may carry any amount of foreign exchange in the form of currency notes, bank drafts, cheques, travel cards, etc. legitimately acquired by such person subject to a declaration made to the Department of Customs at the port of departure or arrival, respectively, if the total value of such foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies. Such person shall be required to provide documentary evidence relating to the acquisition of foreign exchange to the Department of Customs or subsequently, to the Head of the Department of Foreign Exchange of the Central Bank or to any other person who is authorised by law to seek such information, if called upon to do so.
- (2) However, where a person arriving in Sri Lanka intends to take back unutilised foreign currency notes carried in to Sri Lanka under sub-paragraph (1) of paragraph 1 above, exceeding USD 10,000 or its equivalent in other foreign currencies or departing from Sri Lanka carries foreign currency notes exceeding USD 10,000 or its equivalent in other foreign currencies, such person is required to make a declaration to the Department of Customs in that regard.
- (3) Where a person arriving in Sri Lanka who intends to credit foreign exchange into such person's Inward Investment Account for the purpose of investing in Sri Lanka, such foreign exchange, irrespective of the value, should be declared to the Department of Customs and the stamped declaration of the Department of Customs shall be submitted to the authorised dealer for retention in support of the credit.
2. Any person in, or resident in, Sri Lanka may -
 - (a) take out of, or bring into Sri Lanka, respectively, Sri Lanka currency up to the value of Sri Lanka Rupees 20, 000; or
 - (b) export or import Sri Lanka currency for the purposes, limits, terms and conditions recommended by the Superintendent of Currency of the Central Bank subject to the permission of the Head of the Department of Foreign Exchange.
3. Any authorised dealer may export from or import in to Sri Lanka, foreign currency which has been acquired in or for the normal course of his businesses and within the terms of the authorization.

4. For the purpose of this Part-

“authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

PART II

PURPOSES, LIMITS, TERMS AND CONDITIONS FOR HOLDING OF FOREIGN EXCHANGE IN POSSESSION

1. Holding in possession foreign exchange by a person in, or resident in, Sri Lanka

(1) Any person in, or resident in, Sri Lanka may retain in his possession foreign currency notes up to the value of USD 15,000 or its equivalent in other foreign currencies, for any period, irrespective of the time period restrictions mentioned in paragraph 2 herein, provided that, such foreign currency represents:

- (a) foreign currency purchased by such person from an authorised dealer or a restricted dealer for travel abroad of such person and brought back as unutilized while returning to Sri Lanka; or
- (b) foreign currency received by such person from outside Sri Lanka as a payment for a service rendered or goods supplied abroad by such person to a person resident outside Sri Lanka, or from any other legitimate source; or
- (c) foreign currency notes withdrawn by such person from his Personal Foreign Currency Accounts or Business Foreign Currency Accounts for travel purpose.

(2) (a) Any person may retain in his possession foreign currency accepted in respect of goods and services supplied by such person to a person resident outside Sri Lanka.

(b) A person in, or resident in Sri Lanka carrying on a permitted business to supply goods and services under a duty-free concession to passengers arriving in or departing from Sri Lanka at a port or airport in Sri Lanka may retain foreign currency received from such passenger, whether resident or non-resident in respect of the supply of goods and services to such passenger.

(c) A person who acquires foreign exchange under the provisions of this paragraph shall not retain foreign currency so accepted, for a period exceeding seven (7) days from the date of acceptance, without depositing into a Business Foreign Currency Account in the name of the person who accepted such foreign currency or selling to an authorised dealer, upon submitting evidence to such effect.

(3) Any person resident outside Sri Lanka whilst in Sri Lanka may retain in his possession any amount of foreign currency if such foreign currency was legally acquired by him whilst he was in, or outside Sri Lanka or withdrawn from foreign exchange accounts maintained with authorised dealers or restricted dealers.

Provided that such person shall provide documentary evidence relating to the acquisition of foreign exchange to the Department of Customs or subsequently, to the Head of the Department of Foreign Exchange of the Central Bank or to any other person who is authorised by law to seek such information, if called upon to do so.

2. Period for retention of foreign exchange shall be: -

(1) Any person who obtains foreign currency from an authorised dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorised dealer or restricted dealer and does not use it for such purpose shall not retain such foreign currency for a period exceeding ninety (90) days from the date of receipt of such foreign currency without converting same into Sri Lanka Rupees.

(2) (a) Any person who obtains foreign currency from an authorised dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorised dealer or restricted dealer and thereafter brings back to Sri Lanka said foreign currency or part thereof, such person shall not retain such foreign currency for a period exceeding ninety (90) days from the date of repatriation without converting same into Sri Lanka Rupees.

(b) However, a person who obtains foreign currency notes for travel purpose cumulatively up to the value of USD 15,000 or its equivalent in other foreign currencies under item (a) of sub-paragraph (1) of paragraph 1 shall be permitted to deposit the same into a Personal Foreign Currency Account that can be opened and maintained with an authorised dealer or a restricted dealer.

(3) Any person who proceeds outside Sri Lanka for taking up employment, profession or setting up a business, earns or receives foreign currency from such employment, profession or business and brings back the same to Sri Lanka, such

person shall not be entitled to retain such foreign currency for a period exceeding ninety (90) days from the date of its repatriation, without converting into Sri Lanka Rupees or crediting into a foreign exchange account that can be opened and maintained by such person in accordance with the provisions of the Foreign Exchange Act, No. 12 of 2017.

3. For the purpose of this Part –

“authorised dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“restricted dealer” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

“Central Bank” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2213/40 - WEDNESDAY, FEBRUARY 03, 2021
(Published by Authority)

**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 of 2017**

Order under Section 31

BY virtue of the powers vested in me by subsection (3) of section 31 of the Foreign Exchange Act, No. 12 of 2017, I, Mahinda Rajapaksa, Minister of Finance do by this Order, which shall come into operation with effect from March 22, 2021 determine that such persons as specified in the Schedule hereto shall be residents in Sri Lanka for the purpose of the aforesaid Act.

Order made under section 31 of the Foreign Exchange Act, No. 12 of 2017, published in Gazette Extraordinary No. 2045/56 dated November 17, 2017 is hereby revoked, without prejudice to anything done thereunder.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo 01,
03rd February, 2021

SCHEDULE

1. Any citizen of Sri Lanka or any citizen of a foreign country married to a citizen of Sri Lanka, if such person has been in Sri Lanka for a period of hundred and eighty three (183) days or more in aggregate during the preceding twelve (12) months.
2. Any citizen of Sri Lanka:
 - (a) who has proceeded outside Sri Lanka temporarily on holiday, education, business, medical treatment, or for any other similar reason for a period of not more than hundred and eighty two (182) days in aggregate during the preceding twelve (12) months;
 - (b) who has proceeded outside Sri Lanka on a Student or equivalent Visa granted by another country and for a further period of not more than hundred and eighty two (182) days upon the completion of such studies.
3. Government of Sri Lanka including Government Corporations, Government Institutions, Statutory Boards, Government Agencies and any other State-owned entities.
4. (a) Diplomatic Representatives, Consuls or Trade Commissioners of the Government of Sri Lanka resident outside Sri Lanka (by whatever name or title designated);
 - (b) Any person who is a citizen of Sri Lanka, if he is a member of the staff of any person referred to in sub-paragraph (a) of paragraph 4 above who have been exempted from the requirement of obtaining visa by the visa granting authority;
 - (c) A member of the staff of a Government Corporation, a Government Institution, a Statutory Board, a licensed bank or a Company which is incorporated in Sri Lanka and serving abroad, except for those recruited abroad;
 - (d) Any member of the family of any person determined as being resident in Sri Lanka under sub-paragraph (a), (b) or (c) of paragraph (4) above.

5. Citizens of foreign countries who are resident in or employed in Sri Lanka under the relevant visa issued by the Department of Immigration and Emigration but not passengers in transit to other countries or visitors touring the country for pleasure or business.
6. Following institutions incorporated or registered in Sri Lanka irrespective of the status of the citizenship of the persons owning, controlling or managing such institutions:
 - (a) companies incorporated in Sri Lanka;
 - (b) overseas companies registered under the Companies Act, No. 7 of 2007 including branches of licensed banks incorporated outside Sri Lanka (foreign banks);
 - (c) companies registered as offshore companies;
 - (d) clubs, societies or any other organizations including Non-Governmental Organizations registered in Sri Lanka.
7. Trustees of another country of will trusts or inter-vivos settlements and administrators of estates or executors of last wills when acting solely in that capacity where the deceased at the time of death, or the settler at the time the settlement was made, was a resident in terms of paragraphs 1 to 5, above.
8. Citizens of Sri Lanka who are employed on a Sri Lankan ship, within the meaning of the Merchant Shipping Act, No. 52 of 1971 during the period the individual is so employed.
9. Individuals who are citizens of Sri Lanka or of Sri Lankan origin who do not satisfy the conditions specified in paragraphs 1, 2, 4 or 7 above shall be deemed to be residents in Sri Lanka only for the purpose of opening Personal Foreign Currency Accounts subject to the regulations, orders and directions issued under the Foreign Exchange Act, No. 12 of 2017.

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EXTRAORDINARY

No. 2215/39 - THURSDAY, FEBRUARY 18, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

MONETARY LAW ACT, No. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN

**Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka,
Colombo,
18th February, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as "Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021".
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such exports proceeds into Sri Lanka Rupees.
3. Every exporter of goods shall, until further notice:
 - (i) receive the export proceeds in Sri Lanka in respect of all goods exported within hundred and eighty (180) days from the date of shipment, and
 - (ii) forthwith submit all related documentary evidence on each and every receipt of export proceeds in respect of every export of goods made, to the respective Licensed Commercial Bank or the Licensed Specialised Bank (hereinafter referred to as "Licensed bank") that receives such proceeds in Sri Lanka.

4. Every exporter of goods shall, immediately upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert twenty five *per centum* (25%) from and out of the total of the said exports proceeds received in Sri Lanka into Sri Lanka Rupees, through a Licensed bank.
5. The requirement of converting the aforesaid twenty five *per centum* (25%) from and out of the export proceeds received in Sri Lanka, shall continue, until any other percentage as may be determined by the Monetary Board, from time to time.
6. All licensed banks shall be required to mandatorily monitor, strictly, the receipts of exports proceeds in Sri Lanka within the period as stipulated in Rule 3 above and the conversion of such proceeds as required in Rule 4 above, and shall maintain all documentary evidence relating or in connection thereto.
7. All licensed banks shall submit reports to the Director of the Foreign Exchange Department of the Central Bank of Sri Lanka as may be required from time to time and provide unencumbered access to the officers of the Central Bank of Sri Lanka as may be authorised by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 6 above, and to examine and review all actions taken by such licensed banks in securing full and strict compliance with these Rules.
8. These rules shall apply in respect of all goods exported and where the hundred and eightieth (180th) date from the date of the shipment of such goods falls on any date after these Rules come into force.
9. These Rules shall come into force with immediate effect and from the date hereof.
10. For the avoidance of any doubt, and for the purposes of these Rules, 'Export Proceeds' shall include such proceeds required to be repatriated, into Sri Lanka, under and in terms of the Regulations made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the Extraordinary Gazette No. 2145/49 of the Democratic Socialist Republic of Sri Lanka dated 17.10.2019.
11. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialised Bank" shall have the meaning assigned to them in the provisions of the Banking Act, No. 30 of 1988.

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

NO. 2218/38 - TUESDAY, MARCH 09, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Central Bank of Sri Lanka Notices

MONETARY LAW ACT, NO. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN

**Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka,
Colombo,
09th March, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These rules shall be cited as "repatriation of export Proceeds into Sri Lanka rules No. 2 of 2021".
2. Repatriation of export Proceeds into Sri Lanka rules No. 1 of 2021 issued by the monetary Board of the central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2215/39 dated 18th February, 2021, are hereby amended by the repeal of rule 4 thereof and the substitution therefor, of the following new rule.

"4 every exporter of goods shall, within fourteen (14) days upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert Twenty-five per centum (25%) from and out of the total of the said exports proceeds received in Sri Lanka into Sri Lanka rupees, through a licensed bank.

Provided, however, that such date of conversion, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka as required by rule 3 (i) above (i. e., not later than one hundred and eighty (180) days from the date of shipment.)"

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 02 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorised Dealers on Current Transactions

In terms of Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), read with Section 5 of the FEA, Authorised Dealers (ADs) are permitted to carry out current transactions under Section 6 of the FEA, subject to the following.

1. An AD may deal in foreign exchange for current transactions as defined in Section 33 of the FEA, as a principal or as an intermediary, to the extent specified in its respective authorization in terms of Section 4 of the FEA.
2. A person in, or resident in, Sri Lanka may engage in current transactions of such person (including those of his/her spouse, children, or parents, where such person is an individual) involving conversion of Sri Lanka Rupees into foreign exchange or vice versa or in foreign currency.
3. ADs shall release foreign exchange for current transactions upon satisfying themselves with bona-fide and verification of the requests as required by Section 6 (3) of the FEA. An indicative list which provides examples for certain types of current transactions is given in **Schedule I** to these Directions. However, it is not an exhaustive list of current transactions.
4. In assessing the bona-fide and carrying out verification, ADs shall take into account documentary evidence or any other available information relating to the nature of the transaction and beneficiary of the remittance.
5. A guideline to dealing in foreign exchange on current transactions is given in **Schedule II** to these Directions. These transactions cover both payments (outflows) and receipts (inflows) and outward/ inward remittance for any type of current transactions are permitted.
6. ADs shall retain any information or documentation (electronically or in document form) relating to the basis on which each current transaction is undertaken for a period of six years or up to the statutory record keeping period whichever is longer, for verification by the Central Bank.
7. An AD may refuse to deal in foreign exchange for a current transaction for reasons set out in Sections 6 (4) of the FEA subject to complying with Section 6 (5) of the FEA.
8. **For the purposes of these Directions;**
 - (a) **"Electronic Fund Transfer Card"** shall mean, a card or a device that enables the user to transfer value in credit, debit or any other form and includes credit cards, debit cards and stored value cards where transaction details could be identified by the ADs for the purposes of being compliant with the Directions issued under FEA in respect of Electronic Fund Transfer Cards;
 - (b) **"Emigrant"** means an emigrant as specified in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 03 of 2021;
 - (c) **"Immediate family members"** shall mean, spouse, parents and children;
 - (d) **"Remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
 - (e) **"Foreign exchange and Foreign currency"** shall have the same interpretation in terms of the Section 33 of the Foreign Exchange Act, No. 12 of 2017;
 - (f) **"Deal in foreign Exchange"** shall have the same interpretation in terms of the Section 33 of the Foreign Exchange Act, No. 12 of 2017.
9. Directions No. 01 of 2017 dated 20 November 2017 and Directions No. 01 of 2020 dated 19 March 2020 issued to ADs in respect of Current transactions are hereby rescinded.
10. The revocation of previous Directions referred to in Paragraph 9. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
12. These Directions shall come into operation with effect from **22 March 2021**.

**Director-Department of Foreign Exchange
18 March 2021**

Schedule I to the Directions No. 02 of 2021

AN INDICATIVE LIST OF CURRENT TRANSACTIONS

1. **Foreign trade, other current business, including services and banking and credit facilities**
- 1.1 **Foreign Trade**
- 1.1.1 **Import of Goods into Sri Lanka and Export of Goods from Sri Lanka**
 - 1.1.1.1 General merchandise, which includes movable goods.
 - 1.1.1.2 Export or import of goods for repairs or processing.
 - 1.1.1.3 Goods procured in ports by carriers, such as fuels, provisions, stores and supplies.
- 1.1.2 **Entrepot Trade**
 - 1.1.2.1 Goods imported and stored in a Customs bonded warehouse or in a designated bonded area until re-exported to a third country.
 - 1.1.2.2 Re-packing/re-labelling/simple processing of goods imported carried out in a Customs bonded warehouse or in a designated bonded area before exporting to a third country.
 - 1.1.2.3 Offshore business where goods exports directly from one country to another country (i.e., where goods procured from or manufactured in one country and shipped to other country) without goods physically arriving in Sri Lanka.
 - 1.1.2.4 Transfers from a ship or aircraft to another within a port in Sri Lanka without cargo taken into a Customs bonded warehouse or in a designated bonded area.
- 1.2 **Other Current Businesses, including Services**
- 1.2.1 Manufacturing services on physical inputs owned by others (processing services) which include processing, assembly, labeling and packing.
- 1.2.2 Maintenance and repair services which include repairs and maintenance on ships, air crafts and other transport equipment.
- 1.2.3 Transportation services which include services involving carriage of passengers, movement of goods (freight) and related supporting services including postal, courier, cargo handling and storage services.
- 1.2.4 Travel related to business, education, health, holiday, pilgrimage, seminars, sports, conferences, cultural activities, visits etc. including travel services arranged through travel agents, tour operators or other service providers.
- 1.2.5 Construction services including procurement of goods and services within or outside Sri Lanka related to such construction work thereof.
- 1.2.6 Communication services which include postal, courier, radio and telecommunication services.
- 1.2.7 Insurance, re-insurance, assurance services and other related services (other than life insurance) subject to the local/international regulations relating to insurance.
- 1.2.8 Financial services that cover financial intermediation and auxiliary services including commissions and fees for letters of credit/lines of credit/foreign exchange transactions /consumer and business credit services/ brokerage services/ factoring services/ underwriting services/arrangements of hedging instruments/financial market operational and regulatory services/ security custody services, payment clearing charges, credit rating fees, trust fees and other intermediary service fees.
- 1.2.9 Telecommunication, computer and information services which include broadcasting and transmission services, business network services, computer hardware and software services, system maintenance and other support services (installation, repair, related licenses to use etc.), design and programing, warranty claims, renewal fees and data processing or web hosting services.
- 1.2.10 Royalties and other business-related fees which include license fees, franchise fees, management fees, product support service fees, entrance fees termination fees and cancellation charges.
- 1.2.11 Charges for the use of intellectual proprietary rights such as patents, trademarks, copy rights, industrial processes, designs including trade secrets, franchises, brand names, exclusive rights for title sponsorships media licenses and other transferrable contracts.
- 1.2.12 Other business services, which include research and development services, professional and management consultancy services, technical, architectural, and engineering services and other trade related services (including commissions, merchanting (entrepot), vessel operations by local shipping companies in the international waters and disbursement of foreign crew wages thereof, procurement of provisions, related statutory payments, rentals for charter of ships, aircraft or containers).

- 1.2.13** Operating leasing (rental) services where such lease rentals limited to not more than twelve months of such lease rentals in any calendar year.
- 1.2.14** Personal, cultural, and recreational services including audiovisual and related services.
- 1.2.15** Fees and charges which include membership subscriptions, registration and participation fees in global conferences/seminars/courses, university/examination fees, honorarium payments, coordination charges, commitment fees, charges for international publications.
- 1.2.16** Other services which include all services between Governments, International and regional Organizations and public and private Institutions, such as embassy expenses, visa fees, skills or credential assessment fees, medical examination fees and processing fees on visa registration of documents and other related fees.
- 1.2.17** Other current businesses which include the following:
- 1.2.17.1 Refundable deposits or securities to be placed in advance by residents in Sri Lanka in favor of residents outside Sri Lanka or vice-versa, with respect to an underlying current transaction.
 - 1.2.17.2 Refund of payments to residents outside Sri Lanka (received as inward remittances with respect to an underlying current transaction) upon cancellation of the respective business, service agreements or contracts between the parties.
 - 1.2.17.3 Release of retention money to foreign contractors upon completion of projects or contracts in Sri Lanka, which are undertaken in respect of resident employer companies/ institutions.
 - 1.2.17.4 Remittance of funds by;
 - 1.2.17.4.1 Shipping, Airline Agencies and Freight Forwarders in Sri Lanka as freight and passage collections in Sri Lanka Rupees, to the respective foreign principals with whom such service providers have agency agreements.
 - 1.2.17.4.2 Visa service/ processing centers (which are not diplomatic missions) as collections of visa fees in Sri Lanka Rupees or in foreign exchange, to the Foreign affairs Ministries, Foreign embassies, or foreign agencies in overseas with whom such service provider has valid agreements.
 - 1.2.17.4.3 Educational/ Training Institutions registered in Sri Lanka as collections of examination or registration fees of local students in Sri Lanka Rupees or in foreign exchange, as may be applicable, to the foreign universities/ institutes /colleges with whom such Educational Institutions have valid agreements.
 - 1.2.17.4.4 Overseas company registered under the Companies Act, No. 07 of 2007 (as amended), as reimbursement of expenses/ refund of funds in respect of Overseas company operations in Sri Lanka, to the parent company in overseas.
 - 1.2.17.4.5 Companies incorporated in Sri Lanka affiliated to Multinational Companies (MNCs), as intercompany charges (in respect of an underlying current transaction), to such MNCs.
 - 1.2.17.4.6 Resident project companies to the respective donor/ funding agencies in overseas, being unspent or unutilized portion of the funds received as inward remittances, in respect of donor funded projects undertaken in Sri Lanka, subject to other applicable laws of the country.

1.3 Banking and Credit facilities

1.3.1 Letters of Credit (LCs)

ADs may issue, extend the validity period and amend clauses of LCs, when such LCs are established in terms of the provisions of the Uniform Custom Practice (UCP) for Documentary Credits of International Chamber of Commerce, in order to facilitate international trade transactions, subject to the condition that any article of UCP or part thereof is inconsistent with any laws and regulations prevailing in Sri Lanka which are applicable to and binding on the AD such laws and regulations shall prevail to the extent of such inconsistency.

1.3.2 Interest payments on foreign supplier credit facilities

ADs may remit payment of interest for the credit facilities offered to importers of goods by the foreign suppliers of such goods (i.e., in respect of payment terms involving a credit facility offered to the local importer) not exceeding the prevailing international rates of interest for the currency in which the credit is provided and, not beyond the credit period offered or the actual settlement date, whichever comes first.

2. Interest on Loans and Net Income from Other Investments

2.1 Investment income, which includes dividends, interest, rental income and profits

- 2.2.1** Investment income derived from permitted investments made in or outside Sri Lanka. In the event where any income derived from permitted investments made in Sri Lanka, such income shall be routed through an Inward Investment Account (IIA) in terms of the Regulations and Directions issued under FEA applicable for IIAs.

- 2.1.2 Payment of loan interest, commitment fees, loan administration and other related fees and charges in respect of loans permitted under the provisions of the FEA or the repealed Exchange Control Act, which shall be routed through an IIA or External Commercial Borrowing Account, as may be applicable.
3. **Payments for amortization of Loans**
- 3.1 Payments falling due in respect of loan agreements where the amounts and timing of repayment of capital and interest payments are in accordance with the terms and conditions of loans permitted under the provisions of the FEA or the repealed Exchange Control Act.
4. **Remittances for family living expenses and compensation of employees**
- 4.1 *Family Living expenses*
- 4.1.1 Inward remittances, by citizens of Sri Lanka working abroad.
- 4.1.2 Remittances of funds for maintenance of families or dependents (parents, spouse, children) living abroad excluding for emigrants.
- 4.1.3 Remittances of funds by emigrants for maintenance of families or dependents (parents, spouse, children) living abroad, subject to the Regulations and Directions issued under FEA applicable for Capital Transaction Rupee Accounts (CTRAs).
- 4.2 *Compensation to Expatriate employees*
- 4.2.1 Remittances to expatriate employees (irrespective of the nationality) which include wages, salaries, allowances and other employment benefits including pension or provident fund contributions and reimbursement of living and employment related expenses paid by the employers or sale proceeds of Motor Vehicles acquired by such expatriate while being employed in Sri Lanka.
- 4.2.2 Remittances as payments or reimbursement of accumulated salaries, employment, or other related benefits of former or current expatriate employees directly to expatriates' account in overseas or to designated International Pension funds/ schemes or to Parent Companies in overseas.
5. **Miscellaneous Current Transfers**
- 5.1 Government transfers relating to gifts of food, clothing and other consumer goods, medical supplies, payments for technical assistance staff, associated with relief efforts.
- 5.2 Fines, penalties, charges and claims imposed by courts of law and other Government or Institutional regulatory bodies on non-compliances or violations and payments of compensations, compulsory payments awarded, or settlements related to liquidation/ arbitration or other disputes agreed at the Courts of law.
- 5.3 Current payment of taxes including refunds of taxes subject to the local/ international laws and regulations applicable for taxes.

Schedule II to the Directions No. 02 of 2021

GUIDELINE TO DEALING IN FOREIGN EXCHANGE FOR CURRENT TRANSACTIONS

1. **Trade Payments**
- 1.1 **Merchandise Exports**
- 1.1.1 **General Policy**
- 1.1.1.1 Payments for merchandise exports which generate foreign exchange earnings to the country are permitted, subject to the trade policy of the Government.
- 1.1.1.2 Export proceeds shall be credited to any Sri Lanka Rupee account or to a Business Foreign Currency Account opened and maintained by the exporter with an AD.
- 1.1.2 **Commissions and Claims**
- 1.1.2.1 Remittances of commissions to agents abroad with respect to merchandise exports or business transactions secured by a resident in Sri Lanka where such export proceeds or inward remittances have been repatriated to Sri Lanka.
- 1.1.2.2 Remittances for claims to foreign buyers in respect of quality and quantity deficiencies of goods exported, where the export proceeds have been received in Sri Lanka.
- 1.1.3 **Return or cancellation of Inward remittances** - ADs may return or refund inward remittances received in Sri Lanka for merchandise exports and later recalled by the buyer/sender in overseas, where such export orders have not been completed or funds have been received in excess or unutilized.
- 1.2 **Merchandise Imports**
- 1.2.1 **General Policy** - Payments for imports of goods are permitted, subject to the trade policy of the Government.

- 1.2.2 Import payments to designated third parties-** ADs shall release foreign exchange for payments by importers of goods to designated third parties in overseas, in respect of goods supplied by another foreign supplier (as per agreed sales contracts between buyers and sellers).
- 1.3 Entrepot Trade**
- 1.3.1 General Policy**
- 1.3.1.1** Payments for importation of goods for re-export purposes under entrepot trade are permitted through the banking system other than through the Electronic Fund Transfer Cards, subject to the trade policy of the Government.
- 1.3.1.2** Payments for importation of goods under entrepot trade shall be less than the corresponding payment that would be received, ensuring a sufficient margin to the local trader (intermediary) to cover value-added costs, other local charges including bank charges, and profits.
- 2. Service Payments**
- 2.1 General Policy** - Payments for services falling under current transactions are freely permitted.
- 2.2 Return or cancellation of Inward Remittances** - ADs may return inward remittances received in Sri Lanka and later recalled by the sender, where funds have been received in excess or unutilized, etc.
- 3. General**
- 3.1 Release of Foreign exchange for Travel purpose**
- 3.1.1** ADs may issue foreign currency notes as a part of travel allowance to persons resident in Sri Lanka who are travelling abroad for the purposes which include travel for leisure and holidays, sports, recreational and cultural activities, visits for relatives and friends, pilgrimage, business purposes, training, medical and for studying abroad (in the event of persons under student visas this allowance shall be supported by documentary evidence from relevant Educational Institutions or Foreign government authorities, as may be applicable), up to a maximum of USD 5,000 or its equivalent in other foreign currency, with an appropriate endorsement made on the passport issued by the Controller General of Immigration and Emigration of Sri Lanka (CGIM) where such person is a citizen of Sri Lanka.
- 3.1.2** ADs may issue a reasonable amount of foreign exchange to the Sri Lankans who are Permanent Residents in another country or dual citizens where such persons are currently working or residing in Sri Lanka but travels to the country to which they have obtained Permanent Residency (PR) or citizenship being travel allowance up to a maximum of USD 5,000 or its equivalent in other foreign currency or issuing of a Foreign Travel Card, subject to the Regulations and Directions issued under FEA applicable for CTRAs.
- 3.2 Release of foreign exchange to persons who intends to leave Sri Lanka under Temporary Resident (TR) visas**
ADs may issue a reasonable amount of foreign exchange to persons resident in Sri Lanka who intends to leave Sri Lanka under TR visas (other than a TR visa that entitles the individual to obtain PR or citizenship in that country at a future date), being basic allowance in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021.
- 3.3 Foreign Travel Cards**
- 3.3.1** ADs may issue Foreign Travel Cards (FTCs) to persons resident in Sri Lanka who are eligible to obtain travel allowance in foreign currency when leaving Sri Lanka for travelling abroad, upon appropriate endorsement on the passport issued by the CGIM, with regard to the issuance of FTC.
- 3.3.2** A FTC shall be issued by debiting any Sri Lanka Rupee account or a foreign currency account where permission has been granted to issue foreign exchange for travel purpose.
- 3.3.3** At the request of the holder of FTC (hereinafter referred to as the 'holder') or upon the lapse of 90 days from the date of return of the holder to Sri Lanka, whichever the date that comes first, the unutilized value remaining in FTC;
(a) may be withdrawn in Sri Lanka Rupees by the holder or credited to a Sri Lanka Rupee account of the holder; or
(b) may be credited to a Personal Foreign Currency Account (PFCA) or a Business Foreign Currency Account (BFCA) or any other foreign currency account, if the FTC had been loaded by debiting such foreign currency account, up to the amount that had been debited.
- 3.3.4** An FTC shall not be reloaded if the holder is in overseas except in the event where such holder is a person resident in Sri Lanka who has proceeded outside Sri Lanka for studying abroad under student visas (i.e., student) which shall be subject to the Paragraph 3.3.5 below.
- 3.3.5** ADs may upload FTCs issued to students upon verifying *bona-fide* and obtaining necessary documentary evidence issued by the respective foreign universities /educational institutions or foreign government authorities, as may be applicable, with regard to the relevant living expenses of such students in overseas

3.4 Payment Cards

ADs may issue Electronic Fund Transfer Cards (EFTCs), i.e., credit/debit/stored value cards, to a person in, or resident in Sri Lanka for making payments in foreign exchange to persons resident outside Sri Lanka for personal nature current transactions, i.e., for the purposes of the holder of EFTC or their immediate family member. The issuance and usage of EFTCs shall be subject to the Directions and Guidelines issued by the Central Bank in that regard.

3.5 Remittances of funds in advance to obtain Student Visa

3.5.1 ADs may remit funds in advance to meet living expenses of persons residing in Sri Lanka who has applied for student visa (student visa approved in principle), as per the requirements of certain Governments of the foreign States, upon verifying *bona-fide* of the transaction and obtaining necessary documentary evidence to that effect.

3.5.2 ADs shall verify that remittances are being made to an account of the student in a regulated Financial Institution outside Sri Lanka, opened in terms of the permission granted under the provisions of the FEA.

3.5.3 ADs shall make appropriate endorsement on the passport of such student specifying the details of remittance, including the amount and purpose.

3.6 Remittances of funds in respect of Sri Lankans who have proceeded outside Sri Lanka for Educational purpose

3.6.1 ADs may remit funds to the respective lending institutions in overseas (i.e., banks, financial institutions, universities or educational institutions) for repayment of loans by parents or guardians in Sri Lanka where such loans have been obtained by Sri Lankan citizens who have proceeded outside Sri Lanka for educational purpose (i.e., students) for meeting tuition/living expenses and other educational related expenses upon verifying *bona-fide* of the transaction and obtaining necessary documentary evidence in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021.

3.7 Reconversion of unspent Rupees - ADs may reconvert into foreign currency of any unspent Sri Lanka Rupees of persons resident outside Sri Lanka on the production of relevant encashment receipts issued by ADs/ Restricted Dealers.

CENTRAL BANK OF SRI LANKA**DIRECTIONS NO. 03 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017****Directions issued to Authorised Dealers on Electronic Fund Transfer Cards (EFTCs)**

In terms of Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 5, 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to issue EFTCs to persons in, or resident in Sri Lanka for making payments in foreign exchange to persons resident outside Sri Lanka, subject to the following.

2. ADs shall ensure that EFTCs issued to persons in, or resident in Sri Lanka (hereinafter referred to as "card holders") may be used for making payments to persons resident outside Sri Lanka only in respect of current transactions of personal nature other than for the use of payments for purposes specified in Paragraph 10.1 of these Directions.
3. In addition, ADs are also permitted to issue **Debit Cards** to the following persons against funds held in the respective accounts of such cardholders.
 - (a) A person resident in Sri Lanka who has proceeded outside Sri Lanka temporarily for business, education or medical purposes
 - (b) A holder of a Business Foreign Currency Account (BFCA)
 - (c) A holder of a Personal Foreign Currency Account (PFCA)
 - (d) A holder of a Diplomatic Foreign Currency Account (DFCA) or a Diplomatic Rupee Account (DRA)
 - (e) A holder of an Inward Investment Account (IIA)
 - (f) A holder of a Capital Transaction Rupee Account (CTRA)
 - (g) A holder of an Emigrant's Remittable Income Account (ERIA)
 - (h) A holder of a Non-Resident Rupee Account (NRRRA)
 - (i) A holder of a Resident Guest Rupee Current Account (RGRCA)
 - (j) A holder of a Senior Foreign Nationals' Rupee Account (SFNRA)
4. ADs may issue **Credit Cards** to the following persons, upon implementing necessary internal controls and mechanisms to mitigate the credit risk.

- (a) To foreign citizens who hold diplomatic passports and/or diplomatic identity cards issued by the Ministry of Foreign Affairs in Sri Lanka.
 - (b) To persons resident outside Sri Lanka only up to a limit of 90% of funds available in the foreign currency accounts in Sri Lanka of such person held as collateral/ security; where settlement of expenditure incurred on such credit cards shall be settled through inward remittances from abroad, with funds held in the foreign currency accounts or from ERIA, if available.
 - (c) To Sri Lankans who have obtained dual citizenship in Sri Lanka and in any other country while being a resident in Sri Lanka subject to the expenditure incurred on such credit cards shall be settled through inward remittances from abroad, with funds held in the foreign currency accounts or in ERIA (if available) or from Sri Lanka Rupee earnings of the card holder.
5. ADs shall ensure that **EFTCs** issued to card holders specified in Paragraphs 3. and 4. of these Directions shall be used subject to the following.
- (a) Any payment in Sri Lanka Rupees, in Sri Lanka is permitted other than for the use of payments for investments in Sri Lanka;
 - (b) Any payment to a person resident outside Sri Lanka for any purpose is freely permitted, where an EFTC is issued to a;
 - (i). A holder of a PFCA being a person resident outside Sri Lanka
 - (ii). A holder of a DFCA
 - (iii). A holder of an IIA
 - (iv). A holder of an ERIA
 - (c) Any payment to a person resident outside Sri Lanka for a current transaction of personal nature is permitted (other than for the use of payments for purposes specified in Paragraph 10.1 of these Directions), where an EFTC is issued to a;
 - (i). A holder of a BFCA
 - (ii). A holder of a PFCA being a person resident in Sri Lanka
 - (iii). A person resident in Sri Lanka who has proceeded outside Sri Lanka temporarily for business, education or medical purposes
 - (iv). A holder of a NRRA being a firm or a company established/ incorporated outside Sri Lanka
 - (v). A holder of a DRA
 - (vi). A holder of a RGRCA
 - (vii). A holder of a SFNRA
 - (d) Any payment to a person resident outside Sri Lanka for a capital transaction of the holder of the EFTC is permitted, where such card is issued to a;
 - (i). A holder of a BFCA
 - (ii). A holder of a PFCA being a person resident in Sri Lanka
6. ADs may issue EFTCs to companies/ institutions incorporated or registered in Sri Lanka (i.e., corporates), in the names of designated employees or directors of such corporates who are persons resident in Sri Lanka, as per an approved internal procedure for making any payment in foreign exchange related to current transactions of such corporate other than for the use of payments for purposes specified in Paragraph 10.1 below.
7. ADs shall issue EFTCs to persons in, or residents in Sri Lanka subject to the condition that, if the cardholder migrates or leaves Sri Lanka for permanent residence or employment abroad, the card issued to such person in Sri Lanka shall be surrendered to the card issuing bank, except in the event that an EFTC is issued for making settlements in foreign exchange against funds held in the BFCAs, PFCAs, DFCA, DRAs, IIAs, ERIsAs or on the basis that outstanding amounts are settled through inward remittances.
8. ADs shall make aware cardholders to keep evidence up to the statutory record keeping requirement in respect of withdrawal of foreign currencies using a debit card or obtaining cash advance through a credit card, that such currencies have been utilized for the transactions permitted under these Directions.
9. ADs shall direct cardholders to seek prior written permission of the Director-Department of Foreign Exchange, for any payment to a person resident outside Sri Lanka through an EFTC for any purpose which falls outside the purview of these Directions.

10. Other Conditions

10.1 ADs shall ensure that EFTCs issued to cardholders shall not be used for the following:

- a. Dealings in foreign exchange (Forex Trading);
- b. Payments related to virtual currency transactions;
- c. Payments related to betting, gaming and gambling activities outside Sri Lanka;
- d. Payments for import of goods to Sri Lanka for commercial purpose subject to the Regulations and Operating Instructions issued under the Import and Export (Control) Act, No. 01 of 1969 and any amendments thereto.

10.2 ADs shall apprise and communicate prevailing regulations on EFTCs in these Directions to the card holder in writing (electronically or in document form) in a preferred language of communication and obtain a declaration from such card holder as per the **Annex I** at the time of issuance of EFTCs.

10.3 ADs shall ensure that only permitted transactions as specified in these Directions are carried out by cardholders using EFTCs.

10.4 ADs shall exercise due diligence and take immediate actions to suspend payments/cash withdrawals in foreign exchange from EFTCs and bring the matter to the attention of Director - Department of Foreign Exchange, if reasonable grounds exist to suspect that any cardholder makes payments/cash withdrawals in foreign exchange for purposes not permitted by these Directions.

10.5 ADs shall identify each cardholder's transactions in foreign exchange and in Sri Lanka Rupees, separately.

10.6 ADs shall not issue EFTCs as supplementary cards to persons resident outside Sri Lanka unless where the primary card holders are also persons resident outside Sri Lanka. Issuance and usage of supplementary cards shall be subject to the terms and conditions set out in these Directions.

10.7 ADs shall at all times verify and take appropriate measures in accordance with these Directions in respect of change in the residential status of the card holders who have proceeded outside Sri Lanka for working abroad or for educational purposes.

10.8 The EFTCs already issued under the provisions of the repealed Exchange Control Act, shall be subject to the terms and conditions set out in these Directions.

11. Monthly Reporting - ADs shall submit details of all transactions irrespective of value in respect of cardholders who have made payments in foreign exchange, inclusive of cash withdrawals in foreign currency, to the Director-Department of Foreign Exchange only electronically through the Foreign Exchange Transactions Monitoring System – FOREX Net on monthly basis.

12. ADs shall retain any information or documentation relating to issuance and renewal of EFTCs including **Annex I** and **Annex II** hereof, for a period of six years or up to the statutory record keeping period whichever is longer, for verification by the Central Bank of Sri Lanka.

13. For the purposes of these Directions

- (i). **"Electronic Fund Transfer Card (EFTC)"** shall mean, a card or a device that enables the user to transfer value in credit, debit or any other form and includes credit cards, debit cards and stored value cards where transaction details could be identified by the ADs for the purposes of being compliant with the provisions of the FEA;
- (ii). **"Debit Card"** shall mean, a payment card that may be used to withdraw cash and/or execute payments for purchase of goods and services, by directly debiting from the credit balance of the cardholder's account;
- (iii). **"Credit Card"** shall mean, a payment card which involves a line of credit granted by the issuer to the card holder, where the credit utilized can be settled in full or in part on or before a specified date. The issuer may charge interest or other charges on any amount not settled on the specified date;
- (iv). **"Personal nature"** shall mean, only for the use of the holder of the card, spouse, children and parents;
- (v). **"Current transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (vi). **"Capital transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (vii) **"Virtual currency"** is a digital representation of value that can be digitally traded and functions as a medium of exchange; and/or a unit of account; and/or a store of value, but does not have legal tender status in any jurisdiction and is not issued nor guaranteed by any jurisdiction;
- (viii) **"Persons residents in Sri Lanka"** shall be determined in terms of the Order issued under Section 31 of the Foreign Exchange Act, No. 12 of 2017.

14. Directions No. 02 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to issuance of EFTCs to persons in or resident in Sri Lanka, are hereby rescinded.
15. The revocation of previous Directions referred to in Paragraph 14. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
16. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
17. These Directions shall come into operation with effect from **22 March 2021**.

Director
Department of Foreign Exchange
18 March 2021

Annex I to the Directions No. 03 of 2021

(To be included in the Electronic Fund Transfer Card (EFTC) application or EFTC agreement that the cardholder/s enter/s into with the bank)

CENTRAL BANK OF SRI LANKA

Declaration by the Applicant/s for Electronic Fund Transfer Cards

To: Director-Department of Foreign Exchange

(To be filled by the Applicant/s to obtain foreign exchange against Credit/Debit or any other Electronic Fund Transfer Card)

I/We..... (Primary/Supplementary Cardholder), (Primary/ Supplementary Cardholder) declare that all details given above by me/us on this form are true and correct.

I/We hereby confirm that I/ We am/ are aware of the terms and conditions applicable for the use of Electronic Fund Transfer Cards (EFTCs) as detailed in the **Directions No. 03 of 2021 dated 18 March 2021 (Annexed)** issued under the provisions of the **Foreign Exchange Act, No. 12 of 2017** (the FEA) subject to which the card may be used for transactions in foreign exchange and I/We hereby undertake to abide by the said conditions.

I/ We further agree to provide any information on transactions carried out by me/ us in foreign exchange on the card issued to me/ us as.....(bank) may require for the purpose of the FEA.

I/ We am/ are aware that the bank is required to suspend availability of foreign exchange on EFTC if reasonable grounds exist to suspect that foreign exchange transactions which are not permitted in terms of the annexed Directions issued under the provisions of the FEA are being carried out on the EFTC issued to me/us and to report the matter to the Director - Department of Foreign Exchange.

I/ We also affirm that I/ We undertake to surrender the EFTCs to the bank, if I/ We migrate or leave Sri Lanka for permanent residence or employment abroad, as applicable. **Further, I/we also agreed to notify my/our change in residential status to the bank, if any, accordingly.**

.....
 DD.MM.YY

.....
 Signature of the Primary Cardholder

.....
 Signature of the Supplementary Cardholder

Annex II to the Directions No. 03 of 2021

(To be filled by the Authorised Officer on behalf of(bank) when issuing/ authorizing Electronic Fund Transfer Cards to eligible persons)

CENTRAL BANK OF SRI LANKA

Declaration by the Authorised Dealer for Electronic Fund Transfer Cards**To: Director - Department of Foreign Exchange**

I, as the Authorised Officer of the bank have carefully examined the information together with relevant documents given by the applicant/s and satisfied with the bona-fide of these information and documents. Further, I as the Authorised Officer of the bank undertake at all times, to exercise due diligence on the transactions carried out by the cardholder on his/ her EFTC in foreign exchange and to suspend the availability of foreign exchange on the EFTC if reasonable grounds exist to suspect that foreign exchange transactions which are not permitted in terms of **Directions No. 03 of 2021 dated 18 March 2021** issued under the provisions of the **Foreign Exchange Act, No. 12 of 2017** are being carried out on the EFTC, in violation of the undertaking given by the card holders and to **bring the matter to the attention of the Director - Department of Foreign Exchange.**

.....
DD.MM.YY

.....
Signature of the Authorised Officer

DEPARTMENT OF FOREIGN EXCHANGE

CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 04 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Personal Foreign Currency Accounts (PFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No.05 of 2021 and Section 9 of the Foreign Exchange Act, No.12 of 2017 (the FEA), read with Sections 5, 6, 7 and 8 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain PFCAs, subject to the following.

1.1 Eligible Persons

- (a) An individual including a minor who is a Sri Lankan National;
- (b) An individual of Sri Lankan origin including a minor who is a resident outside Sri Lanka;
- (c) A non-national resident in Sri Lanka including a minor;
- (d) A non-national either on temporary visit to Sri Lanka or intending to visit Sri Lanka; and
- (e) An administrator or executor of the estate of a deceased person who maintained a PFCA with an AD until the completion of the administration of the deceased person's estate.

1.2 Opening and Maintaining the Accounts

- (a) PFCAs may be opened and maintained as savings, current (without overdrawing facility) or term deposit accounts in any designated foreign currency in the domestic banking unit.
- (b) PFCAs may be held as joint accounts with another eligible person. However, non-nationals either on temporary visit to Sri Lanka or intending to visit Sri Lanka are not eligible to open and maintain these accounts as joint accounts.
- (c) In the event a PFCA is to be opened in the name of a minor who is a Sri Lankan national or of Sri Lankan origin and residing outside Sri Lanka, such accounts shall be opened by crediting remittances in foreign exchange received from their parents, grandparents or guardians who are residents outside Sri Lanka or transferring funds from existing PFCAs of parents, grandparents or guardians.
- (d) A new PFCA may also be opened for an individual with a deposit of foreign currency notes brought back to the country being unutilized travel allowance by such individual where such foreign currency has been purchased from an AD or a Restricted Dealer for the purpose of travelling abroad, subject to establishing bona-fide and exercising due diligence of the underlying transaction by the AD.

1.3 Permitted Credits

- (a) remittances in foreign exchange received from outside Sri Lanka in favour of the account holder through the banking system;

- (b) transfers from a PFCA of the same account holder and/or immediate family members;
- (c) transfers from a PFCA or an account maintained in the Offshore Banking Unit (OBU) of a person resident outside Sri Lanka, in respect of a current transaction;
- (d) transfers from other PFCAs or accounts maintained in the OBU, irrespective of the account holder where both parties are persons resident outside Sri Lanka, excluding for the purposes of sale/ acquisition of investments or assets in Sri Lanka;
- (e) unutilized foreign currency obtained for travel purpose by the account holder and/or immediate family member;
- (f) foreign exchange brought into Sri Lanka by the account holder on a declaration to Department of Customs where such foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to the AD where such foreign exchange is less than or equals USD 15,000 or its equivalent in other foreign currencies;
- (g) unutilized balance remaining in the Foreign Travel Card (FTC) of the account holder or his/her immediate family members, up to the amount such FTC had been funded from the same PFCA of the account holder;
- (h) transfers from a Business Foreign Currency Account (BFCA), Inward Investment Account (IIA) or an account maintained in the OBU of the same account holder;
- (i) transfers from a Diplomatic Foreign Currency Account of a person resident outside Sri Lanka, in respect of supply of goods and services;
- (j) coupon income, sale/maturity proceeds and any other related receipts arising from investments made in Sri Lanka Development Bonds (SLDBs) in foreign currency, if the original investment had been made by debiting the PFCA of the account holder;
- (k) transfers from an Outward Investment Account (OIA) being any income or capital proceeds received from outward investments, where such investments had been made by debiting the PFCA of the same account holder or by utilizing the funds transferred to an OIA from the PFCA of the same account holder, proportionately to the contributions;
- (l) transfers from an OIA of another person (i.e. buyer) being proceeds from sale of a permitted investment in overseas to such buyer, where the original investment had been made by debiting the same PFCA of the account holder;
- (m) where account holder is an emigrant resident outside Sri Lanka or an emigrant leaving Sri Lanka (initially or subsequently), transfer of eligible migration allowance and current income derived in Sri Lanka from the Capital Transactions Rupee Account (CTRA) or Emigrants' Remittable Income Account (ERIA), if available, of the account holder;
- (n) where account holder is a non-national resident in or outside Sri Lanka (including a minor) transfer of funds correspondence to permitted debits stated in Paragraph 5 (c) of the Directions No. 16 of 2021 dated 18 March 2021 on CTRAs;
- (o) where account holder is employed in Sri Lanka being a non-national or a dual citizen; transfers from BFCAs, accounts maintained in the OBU or Sri Lanka Rupee Accounts of the employer or of the Employees' Provident Fund, Employees' Trust Fund or any other approved provident funds declared by the Commissioner General of Labour in respect of salaries, employment and retirement benefits or any other payments due to such employee;
- (p) transfers from a PFCA of a deceased person; where the account holder is a nominee or an administrator or executor of the estate of such deceased person as eligible under item (e) of Paragraph 1.1 above;
- (q) in respect of an existing account holder being a person resident in Sri Lanka who is nominated as a beneficiary; transfers from an IIA of an administrator/executor of the estate of a deceased person or a receiver/ liquidator of a Company;
- (r) where account holder is a citizen of Sri Lanka rendering services outside Sri Lanka to an overseas employer; transfers from a BFCA of a company incorporated in Sri Lanka which has arrangements with the overseas employer for the disbursement of wages and/ or earnings to the account holder;
- (s) where account holder is a citizen of Sri Lanka working abroad in a vessel/ air craft owned by a local shipping/ airline company; transfers from a BFCA or an account maintained in the OBU of such local shipping/ airline company (i.e., employer) in respect of crew salaries/ wages and other related employment and retirement benefits;
- (t) maturity proceeds including interest on the Special Deposit Accounts (SDAs) opened and maintained by the account holder in terms of the Regulations and Directions issued under FEA applicable for SDAs; and
- (u) interest earned in foreign currency on the funds held in the account.

1.4 Permitted Debits

- (a) any outward remittances made outside Sri Lanka in respect of current transactions of the account holder and/or immediate family members who are persons resident in Sri Lanka;
- (b) any outward remittances made outside Sri Lanka in respect of capital transactions of the account holder being a person resident in Sri Lanka;

- (c) any outward remittances made outside Sri Lanka for any purpose where account holder is a person resident outside Sri Lanka;
- (d) disbursements in Sri Lanka in Sri Lanka Rupees;
- (e) transfers to a PFCA of the same account holder and/or immediate family members;
- (f) transfers to a BFCA or an account maintained in the OBU of the same account holder;
- (g) transfers to a PFCA or an account maintained in the OBU, of a person resident outside Sri Lanka in respect of a current transaction;
- (h) transfers to other PFCAs or accounts maintained in the OBU, irrespective of the account holder where both parties are persons resident outside Sri Lanka, excluding for the purposes of acquisition of investments or assets in Sri Lanka;
- (i) payments for making investments in SLDBs in foreign currency utilizing funds in the PFCA of the account holder;
- (j) transfers to an OIA of another person (i.e. seller) being payments for purchase of a permitted investment in overseas which have been made by the seller through the same OIA;
- (k) withdrawal in foreign currency notes up to USD 5,000 or equivalent in any other foreign currency or transfer of funds for uploading a FTC for travel purpose of the account holder and/or immediate family members (per person) in terms of the Directions issued under FEA in respect of current transactions;
- (l) transfer of funds for repayment/ service of loans and advances obtained by the account holder in terms of the Directions No. 10 of 2021 dated 18 March 2021 on Loans and Advances to Sri Lankans Employed Abroad (other than emigrants);
- (m) transfer of funds to a Foreign Currency Loan Account (FCLA) or to an LKR Loan Account (LLA) of the same account holder for the repayment/ service of loans obtained in terms of the Directions No.11 of 2021 dated 18 March 2021 on Loans to Sri Lankans, resident outside Sri Lanka on Permanent Residency Visa in another country and dual citizens;
- (n) where account holder is a non-national resident outside Sri Lanka who is on temporary visit to Sri Lanka, withdrawals in foreign currency;
- (o) where account holder is a person resident outside Sri Lanka or a non-national resident in Sri Lanka transfers to an IIA of the same account holder;
- (p) where account holder is a non-national or a dual citizen employed in Sri Lanka being; transfers to BFCAs, accounts maintained in the OBU or Sri Lanka Rupee Accounts of the employer in respect of overpayment of salaries, employment and retirement benefits or any other payment due to such employer;
- (q) where account holder is a citizen of Sri Lanka working abroad in a vessel/ aircraft owned by a local shipping/ airline company; transfers to a BFCA or an account maintained in the OBU of such local shipping/ airline company (i.e., employer) being overpayment of crew salaries/ wages and other related payment due to such employer;
- (r) where account holder is a citizen of Sri Lanka working abroad; transfers to BFCAs of the Insurance Companies regulated by the Insurance Regulatory Commission of Sri Lanka (IRCSL) being insurance payments in respect of insurance policies issued to secure foreign currency denominated housing loans granted to the account holder; and
- (s) outward remittance of funds for any purpose of the account holder, where such funds have been remitted to Sri Lanka in terms of the Section 8 (3) of the FEA.

2. Reporting Requirement

- (a) ADs shall submit a report as per the **Annex I** on a monthly basis to this department on or before the 15th day of the following month by email to **dfem@cbsl.lk**.
- (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirement.

3. ADs shall require prior permission of the Director- Department of Foreign Exchange, for any transaction or transfer to/ from PFCAs for any purpose which falls outside the purview of these Directions.

4. For the purpose of these Directions;

- (a) **"Immediate family members"** shall mean, spouse, parents and children;

- (b) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
 - (c) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
 - (d) **“Capital transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
5. Directions No. 03 of 2017 dated 20 November 2017 and Directions No. 07 of 2020 dated 07 October 2020 issued to ADs specifying requirements related to operating of PFCAs are hereby rescinded.
 6. The revocation of previous Directions referred to in Paragraph 5. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
 7. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
 8. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I to the Direction No. 04 of 2021

Monthly Statement of Personal Foreign Currency Accounts (PFCAs)

Name of the Bank:

Reporting Month & Year:

Type of Currency	Opening Balance		Credits					Debits				Closing Balance			
	No. of Accounts	Amount	Inward remittances from abroad	Transfers from other accounts	Total interest credited	Other credits	Total	Outward remittances made outside Sri Lanka	Transfers to other accounts	Other debits	Repayment of loans and advances under the scheme of loans and advances to Sri Lankans employed abroad	Transfer of funds to loan accounts of Sri Lankans, resident outside Sri Lanka on PR in another country and dual citizens	Total	No. of Accounts	Amount
AUD															
CAD															
CHF															
Other Designated Foreign Currency *															

*You may extend the rows needed for other designated foreign currencies.

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer :

Signature & Seal :

Date :

Name of the Compliance Officer :

Signature :

Date :

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 05 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 5,6,7 and 8 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain BFCAs, subject to the following.

1.1 Eligible Persons

- (a) The following persons resident in Sri Lanka who earn foreign exchange from a resident outside Sri Lanka: -
 - (i) An individual resident in Sri Lanka;
 - (ii) A sole proprietorship or partnership registered in Sri Lanka where the proprietor or majority of partners are residents in Sri Lanka (in case of a partnership with two partners, at least one partner shall be a resident in Sri Lanka);
 - (iii) A company incorporated in Sri Lanka;
 - (iv) A company incorporated outside Sri Lanka which is registered as an overseas company under the Companies Act No. 7 of 2007;
 - (v) A State Institution with the recommendation of the Secretary to the relevant line Ministry or appropriate Authority;
 - (vi) An administrator or executor of the estate of a deceased person, who maintained a BFCA with an AD, until the completion of the administration of the deceased persons estate; and
 - (vii) A receiver or liquidator, of a company that maintained a BFCA with an AD, until proceedings are concluded.
- (b) A Non-Governmental Organization shall not be permitted to open and maintain a BFCA.

1.2 Opening and Maintaining the Accounts

- (a) BFCAs may be opened and maintained as savings, current or term deposit accounts in any designated foreign currency in the domestic banking unit.
- (b) ADs shall obtain documentary evidence including the authorization by the relevant authority/ies, if any, at the time of opening a BFCA to determine the applicant's eligibility to open and maintain a BFCA in respect of earnings in foreign exchange from a person resident outside Sri Lanka.
- (c) A BFCA shall not be overdrawn, except by way of an overdraft facility granted under the Directions No. 09 of 2021 dated 18 March 2021 on Accommodations to BFCA holders.
- (d) ADs shall not credit BFCAs with charges and deposits that are collected as local fees or charges which are not components of freight, where the account holder is a shipping agent or General Sales Agent (GSA) licensed by the Director General of Merchant Shipping or Director General of Civil Aviation Authority of Sri Lanka, respectively.
- (e) Under any circumstance Sri Lanka Rupees shall not be converted into foreign currency and be credited into a BFCA.

1.3 Permitted Credits

- (a) remittances received in foreign exchange from abroad through the banking system in respect of, export of goods and services, entrepot trade, overseas projects undertaken by the account holder and goods and services supplied locally to a person resident outside Sri Lanka;
- (b) foreign exchange accepted by the account holder in Sri Lanka in respect of goods and services supplied by such person to a person resident outside Sri Lanka;
- (c) foreign exchange brought into Sri Lanka by the account holder on a declaration to Department of Customs where such foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to the AD where such foreign exchange is less than or equals USD 15,000 or its equivalent in other foreign currencies;
- (d) transfers from a Personal Foreign Currency Account (PFCA), BFCA or an account maintained in the Offshore Banking Unit (OBU) of the same account holder;
- (e) transfers from an account maintained in the OBU of a person resident outside Sri Lanka in respect of a current transaction;

- (f) where account holder is a local shipping/ airline company; transfers from PFCA of a citizen of Sri Lanka working abroad (employee) in vessels/ aircrafts owned by the account holder being overpayment of crew salaries/ wages and other related payments due from such employee;
- (g) transfers from a Diplomatic Foreign Currency Account of a person resident outside Sri Lanka, in respect of supply of goods and services;
- (h) where account holder is a shipping agent or a GSA in Sri Lanka; remittances received in foreign exchange through the banking system from the respective foreign principal or from a designated third party on behalf of the foreign principal for the purposes under the respective agency agreements;
- (i) where account holder is a shipping agent or a GSA in Sri Lanka; freight and passenger fares collected in foreign exchange by the agent on behalf of the foreign principal, by way of a bank transfer or bank draft issued by an AD in Sri Lanka against a BFCA or an account maintained in the OBU;
- (j) where account holder is a company incorporated in Sri Lanka which has arrangements with an overseas employer for disbursement of wages and/or earnings to Sri Lankan citizens who are rendering services outside Sri Lanka; remittances received in foreign exchange from abroad through the banking system from the respective overseas employers or transfers from an account maintained in the OBU of such overseas employer;
- (k) payments received in foreign exchange by the account holder who is carrying permitted business under duty-free concessions, being consideration for goods or services supplied to passengers (irrespective of the residential status) arriving in or departing from Sri Lanka at a port or airport in Sri Lanka;
- (l) any income or capital proceeds of any foreign asset of the account holder, where such asset had been acquired by debiting the BFCA;
- (m) transfers from an Outward Investment Account (OIA) being any income or capital proceeds received from outward investments, where such investments had been made by debiting the BFCA of the same account holder or by utilizing the funds transferred to an OIA from the BFCA of the same account holder, proportionately to the contributions;
- (n) transfers from an OIA of another person (i.e. buyer) being proceeds from sale of a permitted investment in overseas to such buyer, where the original investment had been made by debiting the same BFCA of the account holder;
- (o) coupon income, sale/ maturity proceeds and any other related receipts arising from investments made in Sri Lanka Development Bonds (SLDBs) in foreign currency, if the original investment in SLDBs had been made by debiting the BFCA of the account holder;
- (p) unutilized foreign currency obtained by the account holder debiting the BFCA in terms of the items (e), (f) and (g) of paragraph 1.4 of these Directions;
- (q) unutilized balance remaining in the Foreign Travel Card (FTC) of the account holder, up to the amount such FTC had been funded from the same BFCA of the account holder;
- (r) where account holder is an Insurance company regulated by the Insurance Regulatory Commission of Sri Lanka (IRC SL); insurance premia received on foreign currency denominated insurance policies issued to eligible customers and co-insurers and claims received from re-insurers and National Insurance Trust Fund (NITF);
- (s) where account holder is an employer; transfers from a PFCA of a non-national or a dual citizen employed in Sri Lanka (i.e. employee) being overpayment of salaries, employment and retirement benefits or any other payment due from such employee;
- (t) where account holder is a property developer; transfer of funds from an Inward Investment Account (IIA) of a person resident outside Sri Lanka (i.e. investor) being payments received from sale of immovable property to such investor;
- (u) where account holder is a property developer; transfer of funds from a Foreign Currency Loan Account (FCLA) being payments received from a Sri Lankan resident outside Sri Lanka on Permanent Residency visa in another country or a dual citizen, as permitted by the Directions No. 11 of 2021 dated 18 March 2021;
- (v) remittances originating outside Sri Lanka from the account holder in terms of Section 8(3) of the FEA;
- (w) transfers from other BFCAs or accounts maintained in the OBU in respect of supply of goods and services by the account holder being a category of persons listed in **Annex I**; and
- (x) interest earned in foreign currency on the funds held in the account.

1.4 Permitted Debits

- (a) any outward remittances made outside Sri Lanka in respect of current transactions and capital transactions of the account holder;
- (b) disbursements in Sri Lanka in Sri Lanka Rupees;
- (c) transfers to a PFCA, BFCA or an account maintained in the OBU of the same account holder;
- (d) transfers to an account maintained in the OBU of a person resident outside Sri Lanka in respect of a current transaction;
- (e) withdrawal in foreign currency notes up to USD 5,000 (or equivalent in any other foreign currency) or transfer of funds for uploading an FTC for travel purpose of the account holder in terms of the Directions No. 02 of 2021 dated 18 March 2021 on Current transactions;
- (f) withdrawal in foreign currency notes up to USD 50,000 (or equivalent in any other foreign currency) at a time by Gem and jewelry dealers for the purpose of purchasing cut and polished or rough gemstones and other raw materials abroad upon submission of confirmation obtained from the National Gem and Jewelry Authority;
- (g) where account holder is a shipping agent or a GSA in Sri Lanka; withdrawal in foreign currency notes up to USD 50,000 (or equivalent in any other foreign currency) per vessel per call as Cash-to-Masters, against inward remittance received from the foreign principal or from designated third parties on behalf of the foreign principal, on a request with the reasons acceptable to the AD;
- (h) transfers to External Commercial Borrowing Account (ECBA) of the same account holder (i.e. borrower) for the purpose of repayment/ service of a foreign currency loan obtained from a lender in overseas;
- (i) debt servicing expenses and repayment of foreign currency accommodations obtained by the account holder from an AD including transfer of funds to a BFCA Loan Account;
- (j) transfers to an IIA of a lender in overseas, being repayment of foreign currency loans obtained from such lender during the period from 20 November 2017 to the date of these Directions by the account holder (i.e. borrower);
- (k) transfers in respect of making investments in SLDBs in foreign currency utilizing funds in the BFCA of the account holder;
- (l) transfers to an OIA of another person (i.e. seller) being payments for purchase of a permitted investment in overseas which have been made by the seller through the same OIA;
- (m) where account holder is an Insurance company registered with the IRCSL; payments of claims to eligible customers and co-insurers in respect of foreign currency denominated policies, premia to local or overseas re-insurers and NITF and brokerage charges;
- (n) where account holder is an investee, tenant, lessee or a buyer, transfers to an IIA being payments of any income or capital proceeds attributed to capital transactions in Sri Lanka of such holder of the IIA, as permitted under the Regulations and Directions issued under the FEA applicable for IIAs;
- (o) where account holder is a company incorporated in Sri Lanka which has arrangements with an overseas employer for disbursement of wages and/ or earnings to Sri Lankan citizens who are rendering services outside Sri Lanka; transfers to PFCAs or Sri Lanka Rupee accounts of the respective employees;
- (p) where account holder is local shipping/ airline company; transfers to PFCAs of Sri Lankan citizens working abroad in the vessels/ aircrafts owned by such shipping/ airline company being payment of crew salaries/ wages and other related employment benefits;
- (q) transfers to other BFCAs or accounts maintained in the OBU in respect of purchase of goods and obtaining services by the account holder being a category of persons listed in **Annex I**; and
- (r) outward remittance of funds for any purpose of the account holder being an individual, where such funds have been remitted to Sri Lanka in terms of the Section 8 (3) of the FEA;

1.5 Other Conditions

- (a) ADs shall require to obtain a written confirmation on payments received in respect of goods sold and services rendered by the account holder to a person resident outside Sri Lanka where payments for such goods and services have been made through an Electronic Data Capture Terminal or Internet Payment Gateway (EDC/IPG), by using an Electronic Fund Transfer Card (EFTC) issued outside Sri Lanka, provided that the AD shall credit such payment into a BFCA only upon

written confirmation by the EDC /IPG provider stating that it contains payments made using an EFTC issued outside Sri Lanka.

- (b) where account holder is a shipping agent or a GSA in Sri Lanka, repatriation of surplus funds to the foreign principal shall only be permitted, only upon a written confirmation obtained from the account holder (i.e. agent) to the effect that adequate funds have been retained in the BFCA, to meet all local liabilities of the foreign principal in Sri Lanka including tax payable to the Government and the agency commission.
- (c) where account holder is a company incorporated or registered in Sri Lanka; ADs may issue foreign currency notes up to a maximum of USD 5,000 (or equivalent in other foreign currency) per individual (being an employee of such company) for the purpose of travelling abroad of such employee by debiting the BFCA of the account holder (employer), subject to the Directions No. 02 of 2021 dated 18 March 2021 on Current transactions.
- (d) where account holder is a property developer (i.e., seller), funds credited to the BFCA in terms of item (t) of Paragraph 1.3 of these Directions may be held as collateral/ security by the AD for the issuance of a Bank Guarantee or a Standby Letter of Credit favoring the purchaser of the property who is a resident outside Sri Lanka on behalf of the seller, subject to the terms and conditions specified in the Directions No. 20 of 2021 dated 18 March 2021 on Issuance and Renewal of Guarantees.

2. Reporting Requirement

- (a) ADs shall submit a report as per the **Annex II** on a monthly basis to this department on or before the 15th day of the following month by email to **dfem@cbsl.lk**.
- (b) ADs are required to 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 requirement.

3. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction or transfer to/ from BFCAs for any purpose which falls outside the purview of these Directions.

4. For the purpose of these Directions;

- (a) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
- (b) **“Rendering services outside Sri Lanka”** shall include providing services abroad in seagoing vessels/ ships, commercial aircrafts and also providing construction, janitorial, health, security, accounting, legal and other services in foreign countries;
- (c) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (d) **“Capital transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (e) **“Non-Governmental Organization”** shall mean a voluntary social service organization registered under the National Secretariat for Non-Governmental Organizations in terms of the Voluntary Social Service Organizations [Registration and Supervision] Act, No. 31 of 1980 and any amendment thereto;
- (f) **“Foreign exchange and Foreign Assets”** shall have the same interpretation in terms of the Section 33 of the Foreign Exchange Act, No. 12 of 2017;
- (g) **“Shipping Agent”** shall mean a person authorised to carry on business as a shipping agent in Sri Lanka on behalf of a foreign shipping line (foreign principal) with a valid license or authorization letter issued by the Director General of Merchant Shipping of Sri Lanka;
- (h) **“Foreign shipping line”** shall mean any shipping line within the meaning of the Licensing of Shipping Agency Act, No. 10 of 1972 (as amended) which is a resident outside Sri Lanka;
- (i) **“General Sales Agent”** shall mean a person authorised to carry on business as a general sales agent in Sri Lanka on behalf of a foreign airline (foreign principal) with a valid license or authorization letter issued by the Director General of Civil Aviation Authority of Sri Lanka;
- (j) **“Foreign airline”** shall mean any “foreign air operator” within the meaning of the Civil Aviation Act, No. 14 of 2010 (as amended) which is a resident outside Sri Lanka;

- (k) **“Port Terminal operators”** shall include Airport & Aviation Services (Sri Lanka) Ltd., Sri Lanka Ports Authority, South Asia Gateway Terminals (Pvt) Ltd. and Colombo International Container Terminals Ltd;
- (l) **“Person”** means any natural or legal person.
5. Directions No. 04 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to operating of BFCAs are hereby rescinded.
6. The revocation of previous Directions referred to in Paragraph 5. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
7. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
8. These Directions shall come into operation with effect from **22 March 2021**.

Director**Department of Foreign Exchange****18 March 2021****Annex I to the Directions No.05 of 2021****Category of Persons**

1. Exporters of goods (Merchandise)
2. Exporters of professional services
3. Persons who engage in the business of Entrepot trade as intermediaries
4. Travel Agents and Tour Operators
5. Hotels and Restaurants
6. Gem and Jewelry Dealers
7. Foreign Employment Agencies
8. Freight Forwarders and Other logistic service providers licensed/authorised by Director General of Merchant Shipping of Sri Lanka
9. Shipping Agents licensed/authorised by Director General of Merchant Shipping of Sri Lanka
10. General Sales Agents licensed/authorised by Director General of Civil Aviation Authority of Sri Lanka
11. Bunker operators licensed by the relevant line Ministry
12. Port Terminal Operators
13. Airline Terminal service providers
14. Food and Beverages suppliers to Shipping lines and Airlines
15. Duty free shops (who engage in permitted business to supply goods and services under duty free concessions)

Monthly Statement of Business Foreign Currency Accounts (BFCAs)

Name of the Bank:
 Reporting Month & Year:

Category of the Account	Currency	Balance as at beginning of the month	CREDITS				DEBITS						Total Number of A/Cs as at end of the month						
			Inward Remittances	Transfers From other Accounts	Remittances made under the provisions of Sec. 8(3) of FEA by individuals	Total Interest Credited	Other credits	Total	Outward Remittances	Transfers To Other Accounts	Debt servicing expenses and repayment of foreign currency accommodations and transfer of funds to BFCAs Loan Account	Local Disbursement/ Transfer to Rupee Accounts		Remittances made under the provisions of FEA by individuals	Transfers to investment in SLDs in foreign currency	Other debits	Total		
Exporters of goods																			
Exporters Professional Service																			
Persons who engage in the business of Entrepot trade as intermediaries																			
Travel Agents/ Tour operators																			
Hotels & Restaurants																			
Gem & Jewellery Dealers																			
Insurers																			
Foreign Employment Agencies																			
Freight Forwarding & other logistic service providers																			
Shipping agency																			
General sales agency (airline)																			
Bunker operators licensed by the relevant line Ministry																			
Port Terminal Operators																			
Airline Terminal service providers																			
Food and Beverages suppliers to Shipping lines and Airlines																			

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 06 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions Issued to Authorised Dealers on Diplomatic Foreign Currency Accounts (DFCAs) and Diplomatic Rupee Accounts (DRAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No.12 of 2017 (the FEA) read with Sections 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain DFCAs and DRAs, subject to the following.

1.1 Eligible Persons

- (a) Foreign Diplomatic Missions;
- (b) Diplomatic personnel who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration; and
- (c) Family members of Diplomatic personnel in Sri Lanka who have been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

1.2 Opening and Maintaining the Accounts

- (a) DFCAs and DRAs may be opened and maintained as savings, current (without overdraw facility) or term deposit accounts in the domestic banking unit.
- (b) DFCAs and DRAs may be maintained in any designated foreign currency and in Sri Lanka Rupees, respectively.
- (c) DFCAs and DRAs maintained by individuals may be held as sole or joint accounts with another eligible person.

1.3 Diplomatic Foreign Currency Accounts (DFCAs)

1.3.1 Permitted Credits

- (a) remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system;
- (b) foreign exchange brought into Sri Lanka by the account holder, upon submission of adequate information/evidence to the AD, enabling ADs to comply with Anti-Money Laundering & Countering the Financing of Terrorism (AML/CFT) laws;
- (c) transfers from an Inward Investment Account (IIA) or an account maintained in the Offshore Banking Unit (OBU) of the same account holder;
- (d) transfers from DFCAs and DRAs, irrespective of the account holder; and
- (e) interest earned in foreign currency on the funds held in the account.

1.3.2 Permitted Debits

- (a) any outward remittances made outside Sri Lanka;
- (b) withdrawals in foreign currency for travel purposes;
- (c) disbursements in Sri Lanka in Sri Lanka Rupees;
- (d) transfers to an IIA or an account maintained in the OBU of the same account holder;
- (e) transfers to DFCAs and DRAs, irrespective of the account holder; and
- (f) transfers to Personal Foreign Currency Accounts (PFCAs), Business Foreign Currency Accounts (BFCAs) of any other person in respect of purchases of goods and services.

1.4 Diplomatic Rupee Accounts (DRAs)

1.4.1 Permitted Credits

- (a) remittances received from outside Sri Lanka in favor of the account holder through the banking system;
- (b) collection of visa fees, refunds/ reimbursements of salary and other similar payments due to the account holder from any person in Sri Lanka;
- (c) sale proceeds of motor vehicles owned by the account holder, derived in Sri Lanka upon submission of documents listed in **Annex I** by the account holder;
- (d) transfers from an IIA of the same account holder;

- (e) transfers from DFCA and DRAs, irrespective of the account holder; and
- (f) interest earned in Sri Lanka Rupees on the funds held in the account.

1.4.2 Permitted Debits

- (a) disbursements in Sri Lanka in Sri Lanka Rupees;
 - (b) outward remittances in respect of current transactions of the account holder including visa fees, refunds, reimbursements;
 - (c) outward remittances in respect of sale proceeds of motor vehicles owned by the account holder;
 - (d) transfers to an IIA of the same account holder;
 - (e) transfers to DFCA and DRAs, irrespective of the account holder; and
 - (f) any other transaction in foreign exchange as approved by the relevant line Ministry.
2. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/ transfer to/ from DFCA/ DRAs for any purpose which falls outside the purview of these Directions.
 3. **For purposes of these Directions**
 - (a) **"Diplomatic Mission"** means an embassy, high commission, consulate, permanent mission of United Nations Organization, European Union delegation of the European Commission, International Monetary Fund, International Bank for Reconstruction and Development, Asian Development Bank or any other similar organization which has been recognized as a diplomatic mission by the Protocol Division of the Ministry of Foreign Affairs (MFA) from time to time;
 - (b) **"Diplomatic personnel"** means citizens of a foreign country represented by the diplomatic mission;
 - (c) **"Remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
 - (d) **"Current transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
 4. Directions No. 05 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to operating of DFCA and DRAs are hereby rescinded.
 5. The revocation of previous Directions referred to in Paragraph 4. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
 6. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
 7. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange
18 March 2021

Annex I to the Directions No.06 of 2021

Documents to be obtained when crediting sale proceeds of Motor Vehicles to DRAs

- i. Certificate of Registration of the Motor Vehicle in the name of the seller.
- ii. Statement of change of possession of Motor Vehicle- Documentary evidence to prove the ownership of the Motor Vehicle was transferred to the buyer.
- iii. A letter from the buyer confirming the price of the vehicle.
- iv. A duty valuation from the Department of Public Finance.
- v. A Letter from the relevant line Ministry authorizing the transfer of the vehicle.
- vi. Calculation of custom duties and other charges by the Department of Customs.
- vii. Department of Customs - Goods declaration form.
- viii. Department of Customs - Assessment Report.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 07 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Senior Foreign Nationals' - Special Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain following accounts in favour of senior foreign nationals who are over 55 years of age and wish to a prolonged stay in Sri Lanka on resident visas under **"Sri Lanka – My Dream Home programme"** implemented by the Department of Immigration and Emigration (Implementing Agency) in their domestic banking units, subject to the following.

2. Types of Accounts

- (a) Senior Foreign Nationals' Fixed Deposit Accounts – Foreign Currency (SFNFDA)
- (b) Senior Foreign Nationals' Rupee Accounts (SFNRAs)

3. Opening and Maintaining the Accounts

- (a) SFNFDA shall be opened as a fixed deposit account with a minimum initial deposit of USD 15,000 or its equivalent in any other foreign currency. This minimum deposit shall be maintained as long as the applicant stays in Sri Lanka under the resident visas.
- (b) SFNRAs may be opened and maintained as a current account in Sri Lanka Rupees with monthly remittances of USD 1,500 or its equivalent in any other foreign currency for the principal applicant and USD 750 or its equivalent in any other foreign currency for each accompanying spouse or dependent child for their upkeep in Sri Lanka.

4. Senior Foreign Nationals' Fixed Deposit Accounts (SFNFDA)

4.1 Permitted Credits

- (a) Minimum initial deposit of USD 15,000 or its equivalent in any other foreign currency brought into the country by the applicant in either of following mechanisms:
 - i. remittances in foreign exchange received from outside Sri Lanka through the banking system in favour of the account holder; or
 - ii. foreign exchange brought into Sri Lanka by the account holder upon declaration, for upkeep in Sri Lanka; or
 - iii. transfers from Inward Investment Accounts or accounts maintained in the Offshore Banking Unit of the same account holder.
- (b) interest earned in foreign currency on the funds held in the account.

4.2 Permitted Debits

- (a) withdrawals from SFNFDA shall only be permitted at the time that the account holder decides to terminate his stay in Sri Lanka, upon obtaining documentary evidence to ensure such departure. Funds may be released as follows:
 - i. remittances of funds to an account maintained outside Sri Lanka in the name of the account holder or to a designated third party.
 - ii. withdrawals in foreign currency notes up to USD 10,000.
- (b) transfer of interest earned on SFNFDA to the SFNRA of the account holder.

5. Senior Foreign Nationals' Rupee Accounts (SFNRAs)

5.1 Permitted Credits

- (a) remittances in foreign exchange received from outside Sri Lanka through the banking system in favour of the account holder or foreign exchange brought into Sri Lanka by the account holder for upkeep in Sri Lanka as required in Paragraph 3 (b) above.
- (b) interest paid on the funds in the SFNFDA of the account holder as per Paragraph 4.2 (b), converted into Sri Lanka Rupees.

5.2 Permitted Debits

- (a) disbursements in Sri Lanka in Sri Lanka Rupees of the account holder or his dependents residing in Sri Lanka.

- (b) remittances for payments in respect of current transactions of the account holder or his dependents residing in Sri Lanka.

6. Monthly Returns

- (a) ADs shall submit reports as per the **Annex I** and **Annex II** on a monthly basis to this department on or before the 15th day of the following month by email to **dfem@cbsl.lk**.
- (b) ADs are required to 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 requirement.

7. Persons eligible to open special accounts under these Directions shall only maintain one SFNFDA and SFNRA in the banking system and such accounts may be held as joint accounts with the accompanying dependents.

8. ADs shall require prior permission of the Director-Department of Foreign Exchange with the concurrence of the Implementing Agency of the scheme, for any transaction/transfer to/from SFNFDAs or SFNRAs for any purpose which falls outside the purview of these Directions.

9. For the purpose of these Directions

- (a) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
- (b) **“Declaration”** shall refer to the declaration to the Department of Customs where foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to an AD where such foreign exchange is less than or equals USD 15,000 or its equivalent in other foreign currencies;
- (c) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

10. Directions No. 07 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to on operating of SFNFDAs and SFNRAs are hereby rescinded.

11. The revocation of previous Directions referred to in Paragraph 10. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

13. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I of the Directions No. 07 of 2021
Monthly Statement of Senior Foreign Nationals' Fixed Deposit Account (SFNFDA)

Name of the Bank:

Reporting Month & Year:

Name of the Account Holder	Account Number	Currency	Initial Deposit		Outward Remittances	Withdrawals at the Time of Departure	Interest earned	Interest transferred to SFNRA	Other	Closing Balance
			Date	Amount						

In USD

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/ generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer : Name of the Compliance Officer :

Signature & Seal : Signature :

Date : Date :

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 08 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Resident Guest Scheme - Special Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain following accounts in the names of prospective investors and professionals who come to Sri Lanka under 'Resident Guest Scheme' implemented by the Department of Immigration and Emigration (Implementing Agency) in their Domestic Banking Units, subject to the following.

2. Types of Accounts

- (a) Resident Guest Foreign Currency Accounts (**RGFCAs**)
- (b) Resident Guest Rupee Current Accounts - Investors (**RGRCA - Investors**)
- (c) Resident Guest Rupee Current Accounts – Professionals (**RGRCA - Professionals**)

3. Opening and Maintaining the Accounts

- (a) RGFCAs shall be opened as a fixed deposit account by the prospective investors with a minimum initial deposit of USD 250,000 or its equivalent in any other foreign currency for investments in Sri Lanka.
- (b) RGRCA - Investors shall be opened and maintained as current accounts with a minimum sum of USD 35,000 or its equivalent in any other foreign currency per person for living expenses (upkeep) in Sri Lanka of such investor and each dependent accompanied by him (including spouse) and converted into Sri Lanka Rupees.
- (c) RGRCA - Professionals shall be opened and maintained as current accounts with a minimum sum of USD 2,000 or its equivalent in any other foreign currency per month for the professional intending to reside in Sri Lanka and a further sum of USD 1,000 or its equivalent in any other foreign currency per month for each dependent accompanied by him (including spouse), for living expenses in Sri Lanka, and converted into Sri Lanka Rupees.

4. Resident Guest Foreign Currency Accounts (RGFCAs)

4.1 Permitted Credits

- (a) remittances in foreign exchange received from outside Sri Lanka through the banking system in favour of the account holder.
- (b) foreign exchange brought into Sri Lanka by the account holder upon declaration.
- (c) interest on the unutilized funds held in the account initially for a period of two years (No interest shall be paid after the expiry of the initial two years period without having prior approval of the Implementing Agency, to that effect).

4.2 Permitted Debits

- (a) withdrawal of funds for investment in the following "approved projects" subject to production of documentary proof of obtaining relevant approvals.
 - i. New ventures approved by the Board of Investment in Sri Lanka or a relevant authority.
 - ii. Existing or new companies engaged in projects approved by a relevant authority.
 - iii. Shares listed in the Colombo Stock Exchange.
- (b) transfer of funds in excess of USD 250,000 or its equivalent in other designated foreign currencies brought into the country and held in the account as unutilized; to an account maintained outside Sri Lanka in the name of the same investor.
- (c) transfer of interest earned on the uninvested funds held in the account as stated in Paragraph 4.2 (b) above, to the RGRCA of the same investor.

5. Resident Guest Rupee Current Accounts - Investors (RGRCA – Investors)

5.1 Permitted Credits

- (a) Sri Lanka Rupee proceeds of remittances in foreign exchange received from outside Sri Lanka through the banking system or foreign exchange brought into Sri Lanka by the account holder upon declaration as required by the Paragraph 3 (b) above, for living expenses (upkeep) in Sri Lanka of the investor and each dependent accompanied by him.

- (b) interest paid on the funds in the RGFCAs of the investor as per Paragraph 4.2 (c) above, converted into Sri Lanka Rupees.
- (c) income (dividends, profits) and sale proceeds from investments acquired utilizing funds in the RGFCAs.

5.2 Permitted Debits

- (a) disbursements in Sri Lanka in Sri Lanka Rupees of the investor and his dependents.
- (b) investments in approved projects mentioned in Paragraph 4.2 (a) above.
- (c) remittances for payments in respect of current transactions of the investor or his dependents residing in Sri Lanka.

6. Resident Guest Rupee Current Accounts – Professionals (RGRCA- Professionals)

6.1 Permitted Credits

- (a) Sri Lanka Rupee proceeds of remittances in foreign exchange received from outside Sri Lanka through the banking system or foreign exchange brought into Sri Lanka by the account holder upon declaration as required by the Paragraph 3(c) above, for living expenses (upkeep) in Sri Lanka of the professional and each dependent accompanied by him.
- (b) salary, consultancy fees, etc. received from provisioning of professional services in Sri Lanka by the account holder.

6.2 Permitted Debits

- (a) disbursements in Sri Lanka in Sri Lanka Rupees of the account holder and his/her dependents.
- (b) remittances for payments in respect of current transactions of the professional or his dependents residing in Sri Lanka.
- (c) withdrawal of any unutilized funds held in the account or transfer of such unutilized funds to an account maintained outside Sri Lanka in the name of the same professional, at the time of departure.

7. Monthly Returns

- (a) ADs shall submit quarterly statements as per the **Annex I** and **Annex II** for RGFCAs and RGRCA – Investors, respectively, not later than the 15th day of the following quarter and monthly statements as per the **Annex III** for RGRCA - Professionals not later than the 15th day of the following month by email to **dfem@cbsl.lk**.
- (b) ADs are required to 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 requirement.

8. ADs shall require prior permission of the Director- Department of Foreign Exchange with the concurrence of the Implementing Agency of the scheme, for any transaction/ transfer to/ from RGFCAs, RGRCA – Investors or RGRCA - Professionals for any purpose which falls outside the purview of these Directions.

9. For the purpose of these Directions

- (a) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
- (b) **“Declaration”** shall refer to the declaration to the Department of Customs where foreign exchange exceeds USD 15,000 or its equivalent in other foreign currencies or an appropriate declaration to an AD where such foreign exchange is less than or equals USD 15,000 or its equivalent in other foreign currencies;
- (c) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

10. Directions No. 06 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to operating of Resident Guest Scheme special accounts are hereby rescinded.

11. The revocation of previous Directions referred to in Paragraph 10. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

13. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I of the Direction No. 8 of 2021
Quarterly Statement of Resident Guest Foreign Currency Accounts (RGFCA)

Name of the Bank:

Reporting Quarter & Year:

Name of the Account Holder	Currency	Initial Deposit		Opening Balance	Credits			Debits				Closing Balance	
		Date	Amount		Inward Remittances/ Deposits	Interest Credited	Other	Transfer of Unutilized/ Excess Fund	Withdrawal of funds for approved investments	Transfers to RGRCA	Other		

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/ generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer:

Name of the Compliance Officer:

Signature & Seal:

Signature :

Date:

Date:

Monthly Statement of Resident Guest Rupee Current Accounts- Professionals (RGRCA-Professionals)

Name of the Bank:

Reporting Month & Year:

Name of the Account Holder	Account Number	Opening Balance	Credits				Debits				Closing Balance	
			Inward Remittances/ Deposits		Earnings in Sri Lanka	Other	Local Disbursements	Payments for Current Transactions	Withdrawal/ transfer of any unutilized funds	Other		
			Inward Remittances/ Deposits for the living expenses of a/c holder and of his dependents	sum of USD 2,000								

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/ generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer :

Name of the Compliance Officer:

Signature & Seal :

Signature:

Date:

Date:

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 09 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Accommodations to Business Foreign Currency Accounts (BFCAs) holders

In terms of Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to extend accommodations in foreign currency from their domestic banking units to holders of BFCAs (hereinafter referred to as 'borrowers'), subject to the following.

2. Purposes of granting Accommodations

- 2.1 To utilize for any purpose in Sri Lanka.
- 2.2 To make payments in respect of current transactions of the borrower.

3. Accommodations shall be extended only to holders of BFCAs being earners in foreign exchange who have established, to the satisfaction of the AD, that the borrower receives regular cash flows in foreign exchange during its normal course of business to service the loan in full, on time.
4. ADs shall prudently assess the credit risk, particularly on the ability of the BFCA holders to service such accommodations out of their existing or expected foreign exchange cash flows and shall maintain records to support their assessment.
5. A '**BFCA Loan Account**' (BLA) shall be opened in the name of the borrower for the purpose of disbursing/ crediting the loan proceeds. Debits and credits of BLA shall be confined to the following.

5.1. Permitted Credits to BLA

- a. proceeds of accommodations disbursed in foreign currency by the AD in terms of these Directions.
- b. transfer of funds from a BFCA or an account maintained in Off-shore Banking Unit (OBU) of the borrower, for the purpose of servicing/ repayment of accommodations under these Directions.
- c. in the event where BFCA holder obtained a short-term borrowing from a person resident outside Sri Lanka (i.e. foreign lender); inward remittances or transfer of funds from and an Inward Investment Account (IIA) or an account maintained in the OBU of the foreign lender being loan proceeds.

5.2. Permitted Debits to BLA

- a. outward remittances in respect of current transactions of the borrower.
 - b. repayment of the accommodations obtained under these Directions.
 - c. remittance/ transfer of funds to an account maintained outside Sri Lanka or an IIA or an account maintained in the OBU of the lender, for the purpose of servicing/repayment of the loans obtained as stated in the Paragraph 5.1. c. above of these Directions.
 - d. transfer of funds to an account maintained in the OBU of the borrower for the settlement of other accommodations obtained by the borrower from the OBU.
 - e. disbursement in Sri Lanka in Sri Lanka Rupees.
6. ADs (i.e., lender) may also extend accommodations under these Directions to the borrowers upon obtaining a Bank Guarantee (BG) or a Standby Letter of Credit (SBLC) from another AD (i.e., issuer) favoring the lender, where such BG/ SBLC is issued against funds held in the BFCA of the borrower maintained with the issuer, as per the Directions No. 20 of 2021 dated 18 March 2021 on Issuance and Renewal of Guarantees in respect of current and capital transactions and subject to the terms and conditions of these Directions.

7. Recovery of Accommodations

- 7.1. ADs shall carry out recovery of accommodations in Sri Lanka Rupees, as a last resort where necessary, when recovery of such accommodations in foreign currency is remote. In this regard ADs shall;
 - a. require converting the foreign currency denominated accommodations into Sri Lanka Rupee denominated accommodations.

- b. satisfy and required to maintain necessary documentary evidence to the effect that borrowers do not receive sufficient foreign exchange cashflows from its normal course of business to service the accommodations/ installments thereof, full on time, as agreed in the respective agreements.

8. Other Conditions

- 8.1. ADs shall ensure that under no circumstance, proceeds of accommodations in foreign currency granted to the borrowers and short-term foreign currency loans obtained from overseas by such borrowers, be utilized for capital transactions outside Sri Lanka.
- 8.2. In addition to granting accommodations to BFCA holders in terms of these Directions, a BLA may be opened for the purposes specified in Paragraphs 5.1. c. and 5.2. c. of these Directions, subject to other terms and conditions as specified in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
- 8.3. ADs shall maintain documentary evidence obtained at the time of granting the accommodations beyond any statutory record keeping requirement, until such accommodations are fully settled. Once accommodations are settled, the related documentary evidence shall be maintained either in physical or electronic form up to the statutory record keeping requirement from the date of the full settlement.
- 8.4. ADs shall furnish monthly statements on accommodations extended under these Directions to the Director-Department of Foreign Exchange as per the **Annex I** on or before the 15th day of the following month by email to **dfem@cbsl.lk**.
- 8.5. Terms and conditions and recovery of accommodations that have been granted to foreign exchange earners under the provisions of the repealed Exchange Control Act or the Regulations and Directions issued under the provisions of the FEA previous to these Directions, shall also be effected in terms of these Directions.

9. For the purposes of these Directions

- (a) **“Accommodations”** shall have the same meaning as per the Banking Act Directions No. 03 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning and any amendment thereto;
- (b) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (c) **“Capital transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (d) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/ houses in foreign currency from abroad, other than currency notes;
- (e) **“Short term borrowings”** shall refer to the loans obtained from a resident outside Sri Lanka (i.e. foreign lender) for a tenor of less than three years by the BFCA holder as permitted by the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.

10. Directions No. 09 of 2017 dated 20 November 2017 and Directions No. 03 of 2020 dated 03 April 2020 issued to ADs specifying requirements related to loans to BFCA holders, are hereby rescinded.

11. The revocation of previous Directions referred to in Paragraph 10. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

13. These Directions shall come into operation with effect from 22 March 2021.

Director

Department of Foreign Exchange

18 March 2021

Annex I to the Direction No. 09 of 2021

Monthly Statement of Accommodations to Business Foreign Currency Accounts (BFCAs) holders

Name of the Bank:

Reporting Month & Year:

Table 1: Accommodations- Performing

Type of Currency	No. of accommodations at the beginning of the month	Outstanding Balance as at beginning of the month	Disbursements during the month	Repayments (Capital)	No. of accommodations at the end of the month	Outstanding Balance as at end of the month
AUD						
CAD						
CHF						
Other designated foreign currency *						

* You may extend the rows needed for other designated foreign currencies

Table 2: Details of the BFCA Loan Accounts (BLA)

Proceeds of accommodations	Credits			Debits			Total
	Transfers from BFCA or OBU for repayments	Outward remittances in respect of current transactions	Transfer of funds to an account in the OBU	Disbursements in LKR	Total		

Table 3: Recovery of Accommodations

Name of the Borrower	Loan Account No.	Currency Code	Loan amount granted in FCY (in USD)	Tenor of the Loan	Amount Defaulted in FCY (in USD)	Amounts Recovered in LKR as a last resort		Outstanding Loan balances as at End of the Month in LKR
						As Loan Installments	As Loans balances in Full (upon converted to LKR denominated loans)	

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer

Name of the Compliance Officer :

Signature & Seal

Signature :

Date :

Date :

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 10 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

**Directions issued to Authorised Dealers on Loans and Advances to Sri Lankans
Employed Abroad (other than emigrants)**

In terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to grant loans and advances denominated in foreign currency or in Sri Lanka Rupees from their domestic banking units to Sri Lankans employed abroad (other than emigrants) who maintain Personal Foreign Currency Accounts (PFCAs) (hereinafter referred to as 'borrowers'), subject to the following.

2. Purposes of granting Loans and Advances

- 2.1 To utilize for any purpose in Sri Lanka.
- 2.2 To make payments in respect of current transactions of the immediate family members of the borrower who are residents in Sri Lanka.
3. Loans and advances shall be granted after assessing the credit risk, particularly considering the borrower's ability to repay the loans and advances in foreign currency.
4. Proceeds of the loans and advances denominated in foreign currency or in Sri Lanka Rupees, shall be disbursed in Sri Lanka Rupees to the credit of a 'PFCA Loan Account' (PLA) except in the event where borrower requests AD to transfer such loan proceeds to a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit (OBU) of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.
5. PLA shall be opened in the name of the borrower and shall be operated confined to the following credits and debits.

5.1. Permitted Credits to PLA

- a. proceeds of loans and advances disbursed in Sri Lanka Rupees by the AD in terms of these Directions.
- b. remittances from abroad through the banking system in favour of the borrower or funds transferred from PFCAs, Inward Investment Accounts or accounts maintained in OBU of the borrower, for the purpose of service/ repayment of loans and advances.

5.2. Permitted Debits to PLA

- a. disbursement in Sri Lanka in Sri Lanka Rupees.
- b. outward remittances in respect of current transactions of the immediate family members of the borrower who are residents in Sri Lanka.
- c. repayment of loans and advances obtained under these Directions.
6. Loans and advances shall be repaid in foreign currency through inward remittances or by utilizing funds available in the PFCAs or any other foreign currency account of the borrower, as long as said borrower is employed abroad.
7. In the event where borrower discontinued or ceased his/her overseas employment and becomes a resident in Sri Lanka, any outstanding loan/ advance balance (including loans /advances denominated in foreign currency which required to be converted in to a Sri Lanka Rupee loan/ advance) may be serviced in Sri Lanka Rupees; subject to verifying necessary documentary evidence regard to cessation of employment of such borrower.

However, entire balances available in the PFCAs or any other foreign currency accounts of the borrower shall be fully utilized prior to servicing the loans and advances in Sri Lanka Rupees.

8. These loans and advances may also be granted to Sri Lankans employed abroad, jointly with an immediate family member who is a person resident in Sri Lanka, where the mortgaged property is owned by such person resident in Sri Lanka, under the normal banking procedure. However, such loans and advances shall be serviced by the Sri Lankans employed abroad subject to terms and conditions in these Directions.

9. Recovery of Loans and Advances

- 9.1. ADs shall carry out recovery of loans and advances in Sri Lanka Rupees, as a last resort where necessary, when recovery of such loans and advances in foreign currency is remote. In this regard ADs shall;

- a. require converting the foreign currency denominated loans and advances into Sri Lanka Rupee denominated loans and advances.
- b. satisfy and required to maintain necessary documentary evidence to the effect that borrowers do not receive sufficient foreign exchange from his/ her employment in overseas or have foreign currency assets including balances in the foreign currency accounts to service the loans and advances/ installments thereof, full on time, as agreed in the respective loan agreements.

10. Other Conditions

- 10.1. ADs shall maintain documentary evidence obtained at the time of granting the loans and advances beyond any statutory record keeping requirement, until such loans and advances are fully settled. Once loans and advances are settled, the related documentary evidence shall be maintained either in physical or electronic form up to the statutory record keeping requirement from the date of the full settlement.
- 10.2. ADs shall furnish monthly statements on loans and advances granted under these Directions to the Director-Department of Foreign Exchange as per the Annex I on or before the 15th day of the following month by email to dfem@cbsl.lk.
- 10.3. Terms and conditions and recovery of loans and advances that have been granted to Sri Lankans employed abroad under the provisions of the repealed Exchange Control Act or the Regulations and Directions issued under the provisions of the FEA previous to these Directions, shall also be effected in terms of these Directions.

11. For the purposes of these Directions

- (a) **"Immediate family member"** shall mean spouse, children and parents;
 - (b) **"Current transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
 - (c) **"Remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
12. Directions No. 10 of 2017 dated 20 November 2017 and Directions No. 05 of 2020 dated 16 April 2020 issued to ADs specifying requirements related to granting of loans and advances to Sri Lankans employed abroad, are hereby rescinded.
 13. The revocation of previous Directions referred to in Paragraph 12. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
 14. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
 15. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I of the Direction No. 10 of 2021

Monthly Statement of Loans and Advances to Sri Lankans Employed Abroad

Name of the Bank:

Reporting Month & Year:

Table 1 : Loans and Advances - Performing

Loans Denominations	Purpose of the Loan		No. of Loans as at beginning of the month	Outstanding Balance as at beginning of the month	Disbursements during the month		Repayments (Capital)		No. of Loans as at end of the month	Outstanding Balance as at end of the month
	For purposes in Sri Lanka	For current transactions			LKR	FCY * (in USD)	LKR**	FCY (in USD)		
FCY (in USD)										
LKR										

* Where borrower requests to transfer loan proceeds to BFCA or an account maintained in the OBU of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.

** Where the borrower discontinued overseas employment and become a resident in Sri Lanka

Table 2 : Recovery of Loans and Advances

Name of the Borrower	Loan Account No.	Currency Code	Tenure of the Loan	Loan Amount Granted in FCY (in USD)	Amount Defaulted in FCY (in USD)	Amounts Recovered in LKR as a last resort		Outstanding balances as at end of the month in USD
						As Loan Installments	As Loans balances in Full (upon converted to LKR denominated loans)	

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above

We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer :

Signature & Seal :

Date :

Name of the Compliance Officer :

Signature :

Date:

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 11 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Loans to Sri Lankans, Resident Outside Sri Lanka on Permanent Residency Visa (PR) in another Country and Dual Citizens

In terms of Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to grant loans from their domestic banking units to Sri Lankans, resident outside Sri Lanka on PR in another country and individuals who have obtained dual citizenship in Sri Lanka, irrespective of their residential status (hereinafter referred to as 'borrowers'), subject to the following.

2. Purposes of granting the loans

- 2.1 To acquire a residential property in Sri Lanka.
- 2.2 To construct/ develop/ renovate a residential property in Sri Lanka.

3. Loans in Foreign Currency (FCY loans)

- 3.1. FCY loans shall be granted after assessing the credit risk of such loans, particularly considering the borrower's ability to repay the loans in foreign currency.
- 3.2. A "Foreign Currency Loan Account (FCLA)" shall be opened in the name of the borrower, for the purposes of disbursing the loan proceeds and receiving repayments of the loan. FCLA shall be closed immediately upon settling the loan in full.
- 3.3. Loan proceeds shall be disbursed from FCLA in Sri Lanka Rupees except in the event where borrower is a resident outside Sri Lanka and requests AD to transfer such loan proceeds to a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit (OBU) of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.
- 3.4. FCY Loans shall be repaid in foreign currency through inward remittances or by utilizing funds available in Personal Foreign Currency Accounts (PFCAs), Inward Investment Accounts (IIAs) or accounts maintained in the OBU of the borrower.

4. Loans in Sri Lanka Rupees (LKR loans)

- 4.1. LKR loans shall be granted after assessing the credit risk of such loan, particularly considering the borrower's ability to repay the loan.
- 4.2. A "LKR Loan Account (LLA)" shall be opened in the name of the borrower for the purposes of disbursing the loan proceeds and receiving repayments of the loan.
- 4.3. Loan proceeds shall be disbursed only in Sri Lanka Rupees.
- 4.4. LKR loans shall be repaid in foreign currency inward remittances or by utilizing funds available in PFCAs, IIAs, Emigrants' Remittable Income Account (ERiAs) or accounts maintained in the OBU of the borrower. For this purpose, payments made from IIA – Sri Lanka Rupee accounts and ERiAs are deemed recognized as inward remittances.

5. Recovery of Loans

- 5.1. Recoveries of loans, in Sri Lanka Rupees (in the event of a default) shall be carried out only at a stage where such loans have been classified as non-performing at least in the sub-standard category in terms of the Banking Act Directions No. 3 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning, as amended, subject to fully utilizing foreign currency assets including balances in the foreign currency accounts of the borrower. In this event, ADs shall satisfy themselves that the borrowers have been taken all measures to recover loans in foreign currency.
- 5.2. Except for otherwise provided for in these Directions ADs are not permitted recover defaulted loans, in Sri Lanka Rupees.

6. Other Conditions

- 6.1. ADs shall assess all risks associated with the loans and take appropriate prudent measures to mitigate such risks.
- 6.2. Where the property is held as collateral for the borrowing, ADs shall obtain a valuation of such property from a valuer selected in terms of the Prudential Regulations issued under the Banking Act, No. 30 of 1988, prior to granting the loan; if such loan proceeds are utilized for the construction/development/renovation of an inherited property of the borrower or for the acquisition of a property by the borrower while he/she was a resident in Sri Lanka.

- 6.3. ADs shall ensure that sale proceeds derived from property that was acquired /constructed/developed/renovated utilizing loan proceeds in terms of these Directions, are remitted outside Sri Lanka (upon settling the loan outstanding in full) on the following basis.
- a) Sale proceeds proportionate to the amount remitted to Sri Lanka (including funds transferred from the borrowers' PFCAs, IIAs, ERAs or accounts maintained in the OBU for repayment of loans) to repay the loan could be remitted freely, through an IIA.
 - b) Any balance sale proceeds shall be remitted subject to the eligible migration allowance.
- 6.4 ADs shall issue a confirmation of inward remittances utilized for servicing the loan to the borrower to facilitate future outward remittances in respect of the sale proceeds of such property.
- 6.5 ADs shall maintain documentary evidence obtained at the time of granting the loans beyond any statutory record keeping requirement, until such loans are fully settled. Once loans are settled, the related documentary evidence shall be maintained either in physical or electronic form up to the statutory record keeping requirement.
- 6.6. ADs shall furnish monthly statements of loans granted under these Directions to the Director-Department of Foreign Exchange as per **Annex I** on or before the 15th day of the following month by email to **dfem@cbsl.lk**.
7. Terms and conditions and recovery of loans that have been granted to Sri Lankans, resident outside Sri Lanka on PR in another country and Dual Citizens under the provisions of the repealed Exchange Control Act or Regulations and Directions issued under the provisions of the FEA previous to these Directions, shall also be effected in terms of these Directions.
8. Directions No. 11 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to granting of loans to Sri Lankans, resident outside Sri Lanka on PR in another country and Dual Citizens, are hereby rescinded.
9. The revocation of previous Directions referred to in Paragraph 8. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
10. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
11. These Directions shall come into operation with effect from **22 March 2021**.

Director
Department of Foreign Exchange
18 March 2021

Annex I of the Directions No. 11 of 2021
Monthly Statement of Loans to Sri Lankans Resident Outside Sri Lanka on PR in Another Country and Dual Citizens

Name of the Bank:
 Reporting Month & Year:

Table 1 : Loans - Performing

Type of Loan	No. of loans as at beginning of the month	Outstanding Balance as at beginning of the month		Disbursements during the month		Repayments (Capital)		No. of loans as at end of the month	Outstanding Balance as at end of the month
		LKR	FCY* (in USD)	LKR	FCY* (in USD)	LKR**	FCY (in USD)		
FCY (in USD)									
LKR									

* Where borrower requests to transfer loan proceeds to BFCA or an account maintained in the OBU of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.

** In the event where the loan is denominated in LKR, repayments can be made through the fund transfers from ERIA or IIA Rupee account

Table 2 : Loans - Non Performing

Name of the Borrower	Loan Denomination		Currency Code	Loan Amount		Amount Defaulted in FCY (in USD)	Recoveries in LKR during the month	Outstanding balances as at end of the month in LKR
	FCY (in USD)	LKR		FCY (in USD)	LKR			

Authorised Dealers are required to furnish both scanned copy of the report and the MS Excel version of the same as above
 We certify that the above information extracted/generated from the books of accounts of the bank is accurate.

Name & Designation of the Authorised Officer :

Signature & Seal :

Date :

Name of the Compliance Officer :

Signature :

Date :

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 12 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorised Dealers and Primary Dealers Appointed as Designated Agents for Sri Lanka Development Bonds

In terms of Sections 4 and 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Section 7 of the FEA, permission is granted to Authorised Dealers (ADs) and Primary Dealers who have been appointed by the Superintendent of Public Debt of the Central Bank of Sri Lanka (SPD) as Designated Agents for the purpose of purchasing and marketing Sri Lanka Development Bonds (SLDBs) issued by the Government of Sri Lanka (GOSL) subject to the following.

2. To maintain a USD interest bearing account titled 'Sri Lanka Development Bonds Investment Account' (SLDBIA) on behalf of GOSL to credit funds payable to GOSL, which are received from the categories of investors specified in Paragraph 3 herein, who directly purchase SLDBs from GOSL with an AD for the purpose of acquiring, holding, and transferring SLDBs.
3. **Categories of eligible investors of SLDBs:**
 - (a) Citizens of foreign states irrespective of their residential status through the Inward Investment Accounts (IIAs).
 - (b) Citizens of Sri Lanka who are residents outside Sri Lanka through IIAs.
 - (c) Holders of Personal Foreign Currency Accounts, Business Foreign Currency Accounts, or Offshore Banking Unit Accounts.
 - (d) Companies incorporated outside Sri Lanka or Partnerships registered outside Sri Lanka through IIAs.
 - (e) Country funds, Regional Funds, Mutual Funds, Unit Trusts, and Institutional investors established outside Sri Lanka through IIAs.
 - (f) Licensed Commercial Banks appointed as ADs by the Central Bank of Sri Lanka.
 - (g) Licensed Specialized Banks and Licensed Finance Companies, which have been permitted to accept deposits in foreign currency.
4. **Sri Lanka Development Bond Investment Account (SLDBIA)**
 - 4.1 **Permitted Credits**
 - (a) Funds received in USD from eligible investors specified in Paragraph 3 above for the purchase of SLDBs from GOSL including related service charges in respect of investments in SLDBs.
 - 4.2 **Permitted Debits**
 - (a) Transfer of funds, in accordance with instructions given in the Offer Document or circular issued by SPD, being payment to GOSL for purchasing SLDBs by eligible investors specified in Paragraph 3 above.
 - (b) Transfer of funds to an account of eligible investors specified in Paragraph 3 above being refund and payments for any other purpose, on the instructions of SPD.
 - (c) Disbursements in Sri Lanka Rupees or transfers to Foreign Currency Accounts of the Designated Agent being related service charges in respect of investments in SLDBs.
 - (d) Transfer of funds in accordance with instructions given in the Offer Document or circular issued by SPD, being any other amounts payable to SPD.
5. Directions No. 12 of 2017 dated 20 November 2017 issued to ADs and Primary Dealers appointed as designated agents for SLDBs, are hereby rescinded.
6. The revocation of previous Directions referred to in Paragraph 5. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
7. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
8. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 13 OF 2021 UNDER FOREIGN EXCHANGE ACT NO. 12 OF 2017

**Directions issued to Authorised Dealers on Sales of foreign exchange (Form 1)
and Purchases of foreign exchange (Form 2)**

In terms of Section 9 read with Sections 6 and 7 of the Foreign Exchange Act No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are hereby required to transmit information on sales of foreign exchange (Form 1) and purchases of foreign exchange (Form 2) to

the Department of Foreign Exchange (DFE) through the FX Sales Purchases Monitoring System – FX System with respect to all such foreign exchange sale and purchase transactions, subject to the following terms and conditions.

- 1.1 An AD shall obtain accurate and duly completed Form 1 and Form 2 as per the formats given in **Annex I** and **Annex II**, respectively, from its customers who buy and sell foreign exchange, respectively, in respect of all transactions permitted under the provisions of FEA, which require conversion of Sri Lanka Rupees into foreign exchange or vice versa, upon satisfying the *bona-fide* of the transaction.
- 1.2 An AD may accept signed and completed Form 1, Form 2 and documentary evidence to execute the transactions from its customers received in electronic mode (either via fax, email or any other means of electronic transmission). In such instances, AD shall comply with the legal and regulatory obligations under the Electronic Transactions Act, No. 19 of 2006, any amendments thereto, subject to that AD shall undertake full responsibility for the authenticity and accuracy of information/details furnished by such customers.
- 1.3 ADs shall extract all information relating to Form 1 and Form 2 irrespective of the value of the transaction from their core banking systems and shall require to upload at designated times on daily basis to the FX System (<https://www.cbsl.lk/forex/>) without any manual intervention. However, ADs may report only the transactions which executed after 4.30 p.m on t+1 basis to the FX System, before commencing the business operations of the following working day.
- 1.4 An AD shall have a mechanism in its core banking system to capture all mandatory fields in Form 1 and Form 2 and shall ensure transmission of all such foreign exchange sale and purchase information electronically to DFE as per the Guidelines and Interface Requirement Specifications appear in the FX System.
- 1.5 An AD shall retain Form 1 and Form 2 obtained as per Paragraph 1.1 above along with necessary documentary evidence physically or electronically to establish *bona-fide* of the underlying transactions up to the record keeping requirement within the bank/branch premises or at a Centralized Processing Unit from the date of the transaction, enabling regular inquiries/inspections by DFE.

2. Other Conditions applicable

- 2.1 In instances where purchases of foreign exchange by an AD is less than USD 5,000 or its equivalent in any other foreign currency for a transaction, an AD may maintain all such information in the form of a consolidated statement on a weekly basis up to the record keeping requirement.
- 2.2 An AD may sign Form 1 and Form 2 on behalf of the applicants who buy and sell foreign exchange, respectively, in respect of following instances, upon satisfying the due diligence and the *bona-fide* of the request.
 - i. Inward remittances after obtaining necessary written confirmations.
 - ii. Transactions initiated through internet banking and mobile banking.
 - iii. Transactions initiated through the standing order.
 - iv. If the customer gives instruction, consent or authority in writing to effect a transaction which involve conversion of Sri Lanka Rupee in to foreign currency or vice versa only at the instances where the customer is unable to appear in the place of business of AD and when recovery actions on accommodations are executed by AD.
 - v. Debiting any tax, statutory charges or fees from a foreign currency account/ LKR account in compliance with any prevailing laws and regulations in the country and debiting bank charges/fees.
 - vi. Payments/transfers from/to head office of the bank, which involve conversion of Sri Lankan Rupees into foreign currency or vice versa.
3. Further ADs shall undertake full responsibility for the authenticity and accuracy of the Form 1 and Form 2 transactions and information uploaded to the FX system.
4. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
5. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I to Directions No. 13 of 2021

Sale of Foreign Exchange by an Authorised Dealer												Form 1					
NIC/Passport./ Company Reg. No.		Serial No.															
Income Tax File No.																	
Applicant Name		Bank Code								Purpose Code							
Applicant Address		Branch Code								Sub Purpose code							
		Country Code								Currency Code						Released Foreign Exchange Amount	
Air ticket No. (only for travel purpose)		Bank Draft															
Beneficiary Name		Telegraphic Transfer															
Beneficiary Address																	
Purpose		Travel Card															
Applied Foreign Exchange Amount		USD															
		EUR															
		GBP															
I declare that all information given by me is true and correct.																	
Date		Signature of applicant															
Bank Use		Date		Signature of Teller		Signature & seal of the Bank		Notes									
Note:		The applicant should be the person who converts Sri Lanka Rupees to Foreign Exchange. For example a company providing foreign exchange to an employee for business travel shall be the applicant and the employee shall be the beneficiary.															

Annex II to Directions No. 13 of 2021

Purchase of Foreign Exchange by an Authorised Dealer												Form 2											
NIC/Passport./ Company Reg. No.												Serial No.											
Income Tax File No.																							
Applicant Name Applicant Address																							
Remitter Name																							
Remitter Address																							
Purpose																							
Accepted Foreign Exchange Amount																							
I declare that all information given by me is true and correct.												Total											
Bank Use																							
Note:	Form 2 should be signed personally by the applicant/beneficiary. In instances where the Authorised Dealer purchases the inward remittance on behalf of a constituent and inter account transfers through online banking system, the application may be signed by the Authorised Dealer.																						

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 14 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Outward Investment Accounts

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 01 of 2021 (the regulations) and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain Outward Investment Accounts (OIAs) in the Domestic Banking Unit, subject to the following terms and conditions.

1. Eligible Persons

- (a) companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 other than a company limited by guarantee;
- (b) A Licensed Commercial Bank or Licensed Specialized Bank, in terms of the Banking Act No. 30 of 1988;
- (c) Regulated/ licensed entities (excluding the eligible investors under (a) and (b) above), under the Central Bank, Securities Exchange Commission, Insurance Regulatory Commission of Sri Lanka.
- (d) Employees' Provident Fund established under the Employees Provident Fund Act No. 15 of 1958 or Approved Provident Funds declared by the Commissioner General of Labour.
- (e) A partnership registered in Sri Lanka; and
- (f) An individual resident in Sri Lanka or/with a sole proprietorship registered in Sri Lanka by such individual (as applicable).

3. Opening and Maintaining the OIAs

- (a) OIAs may be opened and maintained as Savings or Term Deposit (out of the returns derived from an outward investment) or Current (without overdrawing facility and cheque drawing facility) accounts, as a foreign currency account in any designated foreign currency.
- (b) OIAs shall be held as sole accounts. OIAs may be held as joint accounts by individual persons with a sole proprietorship registered in Sri Lanka by such individual. ADs shall establish an internal procedure to track the records on OIAs opened by individual persons and Sole Proprietorships of such individuals.
- (c) OIAs opened in Sri Lanka Rupees prior to the date of these Directions may be continued to be operated until the closure of the OIA subject to the paragraph 8 of these Directions.

4. Conversion of OIAs into Non Resident Rupee Accounts

- (a) OIAs maintained by an emigrant who expect to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status in another country shall be converted and continued to be operated as Non-Resident Rupee Accounts, with immediate effect once the AD was informed or aware on their migration.
- (a) ADs shall inform such conversion of OIAs into Non-Resident Rupee Accounts (including the details such as sum of outward remittances (USD), date of remittances of all investments made to the country where he/she has obtained Permanent Residency status or Citizenship) to the Director- Department of Foreign Exchange via dfem@cbsl.lk within one week from the date of the conversion.

5. Permitted Credits

- (a) Sri Lanka Rupees converted into foreign currency, to the extent such limits specified for outward investments, in the regulations or the special permissions granted in terms of the provisions of the repealed Exchange Control Act or FEA.
- (b) Transfers from Business Foreign Currency Accounts or Personal Foreign Currency Accounts or OIA, of another person (i.e. buyer), being sale proceeds of an outward investment made through the same OIA.
- (c) Transfers of proceeds of the loans obtained from a foreign lender by the account holder through an External Commercial Borrowing Account of the account holder, for the purpose of financing outward investments permitted in terms of the provisions of the repealed Exchange Control Act or the FEA.
- (d) Transfers of proceeds of the loans obtained from a foreign lender by licensed commercial banks/ licensed specialized banks/ State Owned Enterprises, from an account outside Sri Lanka or an Inward Investment Account or an account maintained in the Offshore Banking Unit (OBU), of the lender, for the purpose of financing outward investments permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or FEA.

- (e) Transfer of proceeds of the loans obtained from a foreign lender by licensed commercial bank/ licensed specialized banks, from the Nostro Account of the borrower for the purpose of financing outward investments permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or FEA.
- (f) Remittances, as any income and any capital proceeds of the outward investments, made through the same OIA, as permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or the FEA.
- (g) Remittances, as settlement charges under a court Order related to the outward investment made through the OIA.
- (h) Remittances, as any income and any capital proceeds received from any asset/investment in overseas acquired/held by the accountholder, for no consideration, as permitted in the regulations or the repealed Exchange Control Act.
- (i) Remittances, as any income and any capital proceeds of shares received under an Employee Share Ownership Plan or Employee Share Option Scheme where the outward remittances for such investment was made by a company or branch office established in Sri Lanka (i.e. employer) on behalf of the accountholder (i.e. employee), as permitted in the regulations or the repealed Exchange Control Act.
- (j) Remittances, as any income and any capital proceeds of any investment made through an OIA of another person which has been inherited to the accountholder from such person, subject to the regulations.
- (k) Transfers from an Inward Investment Account of another person (i.e. investor) being proceeds of investments in shares, debt securities issued by a company incorporated in Sri Lanka (i.e. accountholder), if the accountholder intends to utilize such funds for an outward investment permitted under the regulations or the provisions of the repealed Exchange Control Act or the FEA.
- (l) Transfers from an OIA of another person, being outstanding balance of the OIA received by way of inheritance subject to the inheritance and succession laws in Sri Lanka.
- (m) Proceeds of non-materialized Outward Investments permitted under the regulations, for which the funds were remitted through the same OIA, within three months from the date of payment made for the investment.
- (n) Management fees, consultancy fees and commissions in relation to the outward investments.
- (o) Interest earned on the funds held in the account.

6. Permitted Debits

- (a) Remittances relating to an outward investment undertaken by the account holder in terms of the regulations or the provisions of the repealed Exchange Control Act or the FEA.
- (b) Transfers to an OIA or Personal Foreign Currency Accounts or Business Foreign Currency Accounts of another person (i.e. seller), to purchase a permitted investment in overseas from the seller which was made through the same OIA or Personal Foreign Currency Accounts or Business Foreign Currency Accounts in terms of regulations or the provisions of the repealed Exchange Control Act or the FEA.
- (c) Payments for current transactions of the account holder.
- (d) Transfers to Personal Foreign Currency Accounts or Business Foreign Currency Accounts or an account maintained in the OBU, of the account holder, being any income and any capital proceeds received from an outward investment, where such investments had been made by debiting such Personal Foreign Currency Accounts or Business Foreign Currency Accounts or account in OBU, or by utilizing the funds transferred from such accounts into the OIA, proportionately to the contributions.
- (e) Transfers to OIAs of the same account holder.
- (f) Transfers to External Commercial Borrowing Account of the account holder, for the purpose of repayment of loans obtained from an overseas lender.
- (g) Transfers of the outstanding balance to an OIA of a beneficiary/heir, subject to the inheritance and succession laws in Sri Lanka.
- (h) Withdrawal in foreign currency notes or transfer of funds for uploading a Foreign Travel Card, up to the limits specified in the Directions No. 01 of 2021 on current transactions (or equivalent in any other foreign currency), for travel purpose of the account holder and/or immediate family members.
- (i) Disbursements in Sri Lanka in Sri Lanka Rupees.

7. Other Conditions

- (a) Rupee proceeds should be converted into foreign currency only for the purpose of outward investments and be credited to OIA only after the fulfillment of all requirements stipulated, in the regulations and these Directions. Under no circumstances such funds shall be retained in OIA without making the investment.
- (b) Payments specified in Sub-Paragraph 6(a) of these Directions shall be remitted to an account of the overseas company (i.e. investee) or to the account of the seller of the permitted security (through stock broker in the case of investing in instruments listed on a Stock Exchange) or to an account held by the resident investor in that country (subject to the legal requirement of that country on foreign investments) or to the account of the appointed secretary or registrar of the investee in the event the investee is in the process of incorporation.
- (c) The credit under paragraph 5(c), 5(d) and 5(k) shall be executed at the time of making the outward investment upon all necessary approvals have been obtained for such outward investment.
- (d) In the event a resident investor intends to remit funds for an additional investment into an investee through an OIA, where a part of the investment has been already made via an OIA, the proposed additional investment shall be routed via the same OIA through which the initial investment was made.
- (e) Funds credited under the paragraph 5(m) of these Directions shall be transferred to a rupee account of the same account holder, within the same day of receipt of funds. In the case of receipt of similar after three months payments, ADs may credit such payments to a rupee account of the account holder upon satisfying with the bona fide of the transactions. However, ADs shall inform the details of said transactions (Date and Amount of outward remittance, Date and Returned Amount, reasons for the failure of the investment etc.) along with the documentary evidences to the Director- Department of Foreign Exchange within three working days from the date of said credits to OIA or rupee account (as applicable), via dfem@cbsl.lk.
- (f) ADs shall obtain an affidavit (ADs are required to maintain a specific format for this purpose) to ensure the following.
 - i. In case of an investment to be carried out by an individual person or sole proprietorship or a partnership, that the individual person or persons involved to the sole proprietorship or a partnership, are resident in Sri Lanka in terms of the Order issued under Section 31 of the FEA.
 - ii. Whether the investor has made any outward remittance for the outward investments as permitted in the regulations during the time period applicable to the investor along with the details of such outward remittances made.
 - iii. In case of the investor is an individual, whether said person owns a sole proprietorship registered in Sri Lanka and such sole proprietorship has invested outside Sri Lanka under the regulations or the provisions of the repealed Exchange Control Act or the FEA. If so, details of the same.
 - iv. In case of the investor is a sole proprietorship registered in Sri Lanka, the person who owns the sole proprietorship has invested outside Sri Lanka under the regulations or the provisions of the repealed Exchange Control Act or the FEA. If so, details of the same.
- (g) ADs shall inform the details of the outward investments (including the details of outward remittances in USD, date of remittances of all investment made to the country where he/she has obtained Permanent Residency status or Citizenship) to the AD with whom the CTRA is to be opened by the emigrant upon the request of such AD.
- (h) ADs shall obtain proper legally acceptable documentary evidence (as required) including the documents at Annex I, to establish the legality and *bona-fides* of the underlying transaction to be carried out and ensure the compliance to the regulations and these Directions.
- (i) In case the outward remittance for the proposed investment has not been made due to any reason after obtaining the clearance letter mentioned in the sub paragraph (c) of paragraph 1 of Annex I, ADs shall inform the same within one week from the date of expiry of the clearance letter to the Director- Department of Foreign Exchange via dfem@cbsl.lk.
- (j) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through OIA beyond any statutory record keeping requirements during the maintenance of the account and for a period of at least six years after the closure of such accounts.

8. Closure of OIAs

- (a) ADs shall close OIA only after disposing all investments acquired/made by the account holder through the said OIA.

- (b) However, in the event an OIA holder requests for a closure of the OIA before disposing the investments made through the same OIA, for the purpose of bringing future income and any capital proceeds derived from such investments to an OIA opened and maintained with another AD, the AD with whom the original OIA is held, may close the OIA only after forwarding following information/documents for the satisfaction of AD who operates the recipient OIA,
- i. A confirmation of the outstanding investments made out of the funds in the OIA to be closed (including details of outward remittances, details of the investee, type of the investments etc.).
 - ii. Documentary evidences collected from the OIA holder, in proof of the transactions made through the OIA.
- (c) ADs shall inform such closure mentioned in subparagraphs 8(a) and 8(b) of these Directions to the Director- Department of Foreign Exchange along with the details on all investments made through the same OIA, disposal of such investments and the reasons for the closure of OIA via dfem@cbsl.lk, within three working days from the date of such closure.

9. Reporting Requirement

- (a) ADs shall furnish the details of OIA to this department on a daily basis via <https://www.cbsl.lk/forexnet>.
- (b) ADs 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.
- (c) ADs 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 and evidence to that effect shall readily be available for inspection by Department of Foreign Exchange.
- (d) ADs shall obtain the documents at Annex II from the resident investor and submit such documents to the Director- Department of Foreign Exchange within stipulated time period.

10. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from OIAs for any purpose which falls outside the purview of these Directions.

11. For the purpose of these Directions

- (a) **“Outward Investments”** means the capital transactions refers in the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka By a Person Resident in Sri Lanka) Regulations No. 01 of 2021 (as amendments thereto).
- (b) **“State Owned Enterprises”** shall have the same meaning in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 (as amendments thereto).
- (c) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.

12. Directions No. 14 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to OIAs are hereby rescinded.

13. The revocation of previous Directions referred to in Paragraph 10 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

14. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

15. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.

16. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex I

1. Following documents should be obtained for all outward investments under these Directions.

- (a) Request letter including the information at Annex III
- (b) Recommendation by a Fellow member of the Institute of Chartered Accountants of Sri Lanka or Charter holder of the CFA Institute in the format at Annex IV (*Note: this is not required for the outward investments for which a special permission*

is granted in terms of the provisions of FEA or any investment under Employee Share Option Scheme/ Employee Share Ownership Plan or investments to be made in Stock Exchanges in overseas under the regulations).

- (c) Clearance letter from the Department of Foreign Exchange to the effect that there is no pending suit, actions or proceedings under the provisions of the repealed Exchange Control Act No. 24 of 1953 or prosecution, investigations or any recovery actions in terms of provisions of the Act, against such persons who intends to invest in overseas (for each remittance or transfer for outward investment) related to the outward investments permitted under the regulations or the provisions of the repealed Exchange Control Act or FEA). The format of request for the clearance letter can be downloaded from the website www.dfe.lk.
 - (d) Tax clearances to cover the amount of investment (as required by the Inland Revenue Department).
 - (e) An affidavit/s (applicable only for individual or sole proprietorship or partnership) /a resolution passed by the Board of Directors of the eligible companies/ legal entities confirming that,
 - i. proposed outward investment would be made in accordance with the law/regulations prevailing in the investee's country.
 - ii. As per the regulations/laws enacted in the investee's country, any income, any capital proceeds of the proposed outward investment and the liquidation proceeds/surplus funds in case of the closure or liquidation of the investee company are freely remittable to Sri Lanka. **Note:** ADs shall obtain documentary evidence on the said regulations/laws issued by the relevant authorities of the investee country to the satisfaction of ADs.
2. In addition to above, following category-specific documents should also be obtained.
- A. Companies registered under the Companies Act, No. 07 of 2007.
 - (a) A copy of the Certificate of Incorporation and Memorandum and Articles of Association (certified by the Company Secretary).
 - (b) A copy of the Directors Particulars (certified by the Company Secretary)
 - (c) The Resolution passed by the Board of Directors or the shareholders of the company, in accordance with the Article of Association, for the approval for the proposed investment (certified by the Company Secretaries).
 - B. A partnership registered in Sri Lanka.
 - (a) A certified copy of the partnership agreement and the registration.
 - (b) Documentary evidences for the proof of the residential status of the partners.
 - C. An individual resident in Sri Lanka.
 - (a) Documentary evidences for the proof of the residential status.
 - (b) If the investment is made into an Employee Share Option Scheme (ESOS) or Employee Share Ownership Plan (ESOP), the prospectus of the ESOS or ESOP.
 - D. Sole proprietorship registered in Sri Lanka.
 - (a) A certified copy of the registration of sole proprietorship
 - (b) Documentary evidences for the proof of the residential status of the proprietor.
 - E. Regulated/licensed entities under the Central Bank, Securities Exchange Commission and Insurance Board of Sri Lanka or Approved Provident Funds declared by the Commissioner General of Labour of the Department of Labour or Licensed Commercial Banks and Licensed Specialized Banks in terms of the Banking Act No. 30 of 1988 (any amendments thereto).
 - (a) Documentary evidence for the establishment of the entity.
 - (b) The Resolution passed by the Board of Directors/ management/ governing body etc., of the entity for the approval on proposed investment and any other approvals obtained from regulatory authorities.

Annex II

1. Within three months from the outward remittance of foreign exchange:
 - (a) Certified copies of 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) Certified copy of the registration Certificate of Overseas Offices.
 - (c) Certified copies of the share certificates issued or any other evidence in respect of a share investment (ordinary or preference) in an unlisted investee company incorporated outside Sri Lanka.
 - (d) Certified copies of share investment/enrollment certificates issued to all resident employees who subscribed to an Employee Share Option Scheme or Employee Share Ownership Plan.
 - (e) Statements from relevant Central Depository Systems of overseas Stock/Bond Exchanges with regard to the investment in listed ordinary shares, preference shares, corporate bonds and debentures issued by a company incorporated outside Sri Lanka and sovereign bonds issued by foreign governments.
 - (f) Certified copies of the certificates for the enrollment of units/ debenture/ corporate bonds issued by investee outside Sri Lanka.
2. On an annual basis,
- (a) Audited accounts of the unlisted overseas companies and overseas offices.
 - (b) Statements from relevant Central Depository Systems of overseas Stock/Bond Exchanges with regard to the investments in listed ordinary shares, preference shares, corporate bonds and debentures issued by a company incorporated outside Sri Lanka and sovereign bonds issued by foreign governments.

Annex III**Information on Investments Abroad****1. General Information**

- (a) Name of the Company/Partnership/Individual and sole proprietorship (if any) /Entity:
- (b) Business Registration No./National Identity Card No./Passport No. (Authorised Dealer may take the passport number only if the resident investor is a foreign national person resident in Sri Lanka and does not possess a valid National Identity Card):

2. Details on Foreign Investment (as applicable)

- (a) Investment in ordinary shares/preference shares/units/ debentures/ sovereign bonds.
 - i. Total amount to be Invested (in USD) :
 - ii. Name of investee company/issuer and country :
 - iii. Nature of the investment (ordinary shares/preference shares/units/ debentures/ sovereign bonds):
 - iv. Whether the instrument is listed or non-listed:
 - v. Number of ordinary shares/preference shares/units/ debentures/ sovereign bonds to be acquired :
 - vi. Price of an ordinary shares/preference shares/units/ debentures/ sovereign bonds:
 - vii. Date of maturity :
 - viii. Rate of Interest :
 - ix. Sovereign credit rating of the issuing entity :
- (b) Investment for Setting up and maintenance of Overseas Offices
 - i. Total amount to be Invested in USD :
 - ii. Type /purpose of Overseas office /country :

I hereby declare that the above information is true and accurate.

Authorised Signature

Designation

Rubber Stamp

Date

Authorised Signature

Designation

Rubber Stamp

Date

Annex IV

Recommendation by(name)....., a Fellow member of the Institute of Chartered Accountants of Sri Lanka or Charter holder of the CFA Institute for the release of foreign exchange for the purposes of investing outside Sri Lanka under the Regulations issued in terms of the Foreign Exchange Act, No. 12 of 2017.

To: Manager

Branch:

Name of the Authorised Dealer:

Statement 1: I hereby confirm that(name of the eligible investor)..... has maintained a sound financial position and performance for last three financial years.

Statement 2: I confirm that the proposed investment details which are set out below were analyzed by me on the basis of investment appraisal method/s of (please specify the method/s used)..... and recommend the said investment.

Note:

- i. it is required to consider the time value of the investment and its returns when evaluating and recommending the proposed investment.
- ii. the report on the financial position and performance of the investor and the analysis of the proposed investment including the reasons for the recommendations, shall be provided herewith.

1. General Information

- (a) Name of the Investor:
- (b) Amount in USD (or equivalent amount in other designated foreign currencies):

2. Details of the Investment (as applicable)

- (a) Name of the investee and Country:
- (b) Type of the investment (ordinary shares/preference shares/units/debentures/ corporate bonds/ sovereign bonds / overseas office):
- (c) Whether the instrument is listed or non-listed:
- (d) If it is an overseas office:
 - i. Type of the office (branch, project, liaison, representative etc.)
 - ii. the purpose
- (e) No. of shares/ sovereign bonds/units/ debentures etc.:
- (f) Price per share/ sovereign bonds/units/ debentures etc.:
- (g) Date of maturity:
- (h) Rate of Interest:
- (i) Special Remarks (if any):

Authorised Signature

Designation

Rubber Stamp

Date

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 15 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Inward Investment Accounts

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021 (the regulations) and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain Inward Investment Accounts (IIAs) in the Domestic Banking Unit, subject to the following.

2. Eligible Persons

- (a) A non- national, resident in or outside Sri Lanka.
- (b) A Sri Lankan dual citizen, resident in or outside Sri Lanka.
- (c) Sri Lankan national who has obtained Permanent Residency status or citizenship in another country, resident in or outside Sri Lanka.
- (d) A Sri Lankan citizen employed abroad, resident outside Sri Lanka (excluding emigrants).
- (e) A company incorporated outside Sri Lanka.
- (f) A partnership registered outside Sri Lanka.
- (g) Country funds, Regional Funds, Mutual Funds, Unit Trusts and Foreign Institutional Investors established outside Sri Lanka.
- (h) An administrator or executor of the estate of a deceased person, who maintained an IIA with an AD.
- (i) A receiver or liquidator of a company that maintained an IIA with an AD.

3. Opening and maintaining IIAs

- (a) IIAs may be opened and maintained in the form of Savings or Term Deposit or Current (without overdraft facility and cheque drawing facility) accounts, either in any designated foreign currency or in Sri Lanka Rupees.
- (b) IIAs shall be held as sole accounts. IIAs may be held as joint accounts by eligible individuals with an immediate family member who is eligible under subparagraphs (a), (b) and (c) of the paragraph 2.
- (c) IIAs already opened as joint accounts with a person who is not an immediate family member prior to the date of these Directions, may be continued and operated until the closure of IIA subject to the paragraph 7(a) of these Directions.

4. Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.
- (b) Foreign exchange brought into Sri Lanka by the account holder upon declaration to the Customs Department, subject to the Order issued under Section 8 of the FEA.
- (c) Transfers from Personal Foreign Currency Accounts or IIAs or Emigrant's Remittable Income Account or Diplomatic Foreign Currency Accounts or Diplomatic Rupee Accounts or accounts maintained in the Offshore Banking Unit, of the account holder.
- (d) Transfers, as any income and any capital proceeds received from capital transactions in Sri Lanka of the account holder, as permitted under the regulations or provisions of the repealed Exchange Control Act or the FEA, from a Sri Lanka rupee account or Business Foreign Currency Account or an account maintained in the Offshore Banking Unit of another person (i.e. investee or tenant or lessee or buyer, who is a resident person).
- (e) In the case of the selling the investments made through the same IIA under the regulations or provisions of the repealed Exchange Control Act or the FEA to another person (i.e. buyer), transfers, as sale proceeds from an IIA of such buyer.
- (f) Settlement charges under a court Order related to the capital transactions made through the IIA.
- (g) Claims received by the account holder as determined by the Central Depository Systems (Private) Limited and Colombo Stock Exchange.
- (h) Transfers from an External Commercial Borrowing Account of a person resident in Sri Lanka (i.e. the borrower), as recoveries of loans granted by the account holder to the borrower, as permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or the FEA.
- (i) Transfers, as repayments of the loans granted under the regulations or the provisions of the FEA, to licensed commercial banks or licensed specialized banks or the Government of Sri Lanka or State-Owned Enterprises (i.e. borrower), from a rupee account of the borrower.
- (j) Repayments of the loans granted during the period from the date of 20th November 2017 to the date of these Directions by the account holder through the same IIA to a person resident in Sri Lanka (i.e. the borrower), from a Sri Lanka rupee account or Business Foreign Currency Account or account maintained in the Offshore Banking Unit, of the borrower.

- (k) Any income or any capital proceeds derived from a residential property acquired by the accountholder utilizing a loan obtained under the Directions No. 11 of 2021, subject to the subparagraph of 6(e) of these Directions.
- (l) Proceeds of non-materialized capital transactions excluding the loans (including Initial Public Offering) in Sri Lanka under the regulations, for which the funds were remitted through the same IIA, within three months from the date of payment made for the investment. In case of the investment in a condominium property, such proceeds returned by the property developer from the Business Foreign Currency Account of the property developer, before the completion of such property due to any failure to meet the conditions in the agreement or termination of the agreements between parties.
- (m) Transfers of the migration allowance or current income from the Capital Transactions Rupee Account of the same account holder.
- (n) Maturity Proceeds including the interest of Special Deposit Accounts (SDAs) opened and maintained by the accountholder under the Regulations published in the Gazette No. 2170/4 dated 08 April 2020 (subject to any amendments there to) and the Directions applicable on SDAs.
- (o) Where the accountholder is a non-national resident in or outside Sri Lanka;
 - i. Any income and any capital proceeds, received from capital transactions undertaken by the account holder in Sri Lanka while being a resident in Sri Lanka, utilizing the funds out of salaries, superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
 - ii. Transfers of USD 30,000 per annum from the Capital Transactions Rupee Account of the accountholder.
- (p) Where the accountholder is a company incorporated outside Sri Lanka; Transfers of USD 30,000 per annum from the Non Resident Rupee Account of the accountholder.
- (q) Where the account holder is an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company.
 - i. Any income or any capital proceeds, received from capital transactions in Sri Lanka made by the deceased person or liquidating company as permitted in the regulations or provisions of the repealed Exchange Control Act or the FEA.
 - ii. Funds transferred from IIAs of such deceased person or liquidating company.
- (r) Transfers from an IIA of an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company, in the event of the accountholder is a beneficiary.
- (s) Interest earned on the funds held in the account.

5. Permitted Debits

- (a) Any outward remittances in favor of the accountholder.
- (b) Disbursements in Sri Lanka in Sri Lanka Rupees.
- (c) Transfers to Personal Foreign Currency Accounts or IIAs or Diplomatic Foreign Currency Accounts or Diplomatic Rupee Accounts or accounts maintained in the Offshore Banking Unit, of the same account holder.
- (d) Payments relating to capital transactions undertaken in Sri Lanka by the account holder, in terms of the permissions granted under the regulations or the provisions of FEA, to;
 - i. A rupee account of the investee/seller (who is a resident) of the investment.
 - ii. A foreign currency account of the investee or issuer who is a resident if the said investee or issuer is permitted to receipt such proceeds in foreign currency in terms of the foreign exchange regulations or special permission granted for such investee/ issuer.
 - iii. An IIA of another person (i.e. seller) in respect of the purchase of permitted investment.
 - iv. A Business Foreign Currency Account of the property developer if the investment is to purchase a condominium property.
 - v. An account maintained in Offshore Banking Unit of the investee, if the investee has been exempted from relevant provisions of the FEA on investments into Sri Lanka under the Board of Investments Law.
- (e) Transfer of proceeds of the loan granted under the regulations or the provisions of the FEA, to a licensed commercial banks or licensed specialized banks or the Government of Sri Lanka or State-Owned Enterprises (i.e. borrower), to a rupee account, of the borrower.
- (f) Transfer of proceeds of the loan granted under the regulations or the provisions of the FEA, to a licensed commercial banks or licensed specialized banks (i.e. the borrower) to an Outward Investment Account of the borrower, if such borrowings are made for the purpose of financing outward investment of the borrower under the regulations or the provisions of the FEA.

- (g) Transfer of proceeds of the loans granted under the regulations or the provisions of the FEA, to an External Commercial Borrowing Account of the person resident in Sri Lanka (i.e. borrower).
- (h) Payments relating to the investments in shares, debt securities issued by a company incorporated in Sri Lanka (i.e. investee) under the regulations or the provisions of FEA, to an Outward Investment Account of the investee, if such proceeds of the investment are to be utilized for the purpose of financing outward investment of the investee under the regulations or the provisions of FEA.
- (i) Settlement charges under a court Order related to the capital transactions made through the IIA.
- (j) Claims to be paid by the accountholder as determined by the Central Depository Systems (Private) Limited and Colombo Stock Exchange.
- (k) Where the account holder is an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company;
 - i. Outward remittances in favour of the beneficiary or administrator/executor or receiver/liquidator of the company, outside Sri Lanka.
 - ii. Transfers to the IIA of the beneficiary.
 - iii. In the case of beneficiary is a resident person in Sri Lanka, transfers to a Sri Lanka Rupee account or existing Personal Foreign Currency Accounts of the beneficiary.

6. Other Conditions

- (a) The eligible persons mentioned under subparagraph 2(h) and 2(i) are eligible only for permitted credits and debits under subparagraphs 4(a), 4(f), 4(q), 4(r), 4(s) and 5(b), 5(k), respectively.
- (b) ADs shall ensure that all income and capital proceeds of investments are credited to the IIA through which the investment was made, as stipulated in the regulations.
- (c) In case of joint IIAs, when executing transactions/transfers permitted under these Directions, ADs may follow the procedure in the normal banking business on transferring funds from a "Join Account" to a "Sole Account" of a party to the joint account.
- (d) IIAs opened by a Sri Lankan citizen employed abroad (excluding emigrants), may be continued to operate IIAs even after the accountholder becomes as a resident in Sri Lanka for the purpose of receiving any income or any capital proceeds of such investments made through the same IIA, until all such investments have been divested/liquidated. The operations of such accounts will be confined only for permitted credits specified under 4(d), 4(e) and 4(f) and debits specified under subparagraph 5(b) and 5(c) of these Directions.
- (e) In the case of the credit under paragraph 4(k), the capital proceeds of the property shall be proportionated to the sum of repayments of the loan made by utilizing funds out of inward remittances or Personal Foreign Currency Accounts or IIAs or Emigrant's Remittable Income Account or an Account in the Offshore Banking Unit, of the accountholder.
- (f) Any income or capital proceeds received from the investee or issuer with regard to the investments which was made under subparagraph (ii) of paragraph 5(d) of these Directions shall be received from the foreign currency accounts of such investee and no rupee conversions will be permitted for the said purpose. ADs shall obtain a consent of the investee or issuer appropriately on this condition, at the time of transferring funds for the investment from the IIA to the investee's foreign currency accounts as permitted under subparagraph (ii) of paragraph 5(d) of these Directions.
- (g) ADs are hereby permitted to facilitate transactions related to investments by eligible investors mentioned under paragraph 2(a) to 2(g) of these Directions, in the following manner.
 - i. The funds to the credit of an IIA of the eligible investors may be routed via a Vostro Account.
 - ii. Any income and any capital proceeds of such investments referred in paragraph 6 (f) (i) above may be repatriated following the same way that the investment was routed.
 - iii. At the time of making investment into Sri Lanka, rupee conversions into foreign exchange for the payments of permitted capital transactions to be made through IIAs may be carried out for customers whose underlying transactions are established with another AD provided that documentary evidence on each transaction is furnished by the said AD with whom the IIA is maintained.
 - iv. Outward remittances of any income or any capital proceeds of an permitted capital transactions in favour of the accountholder may be effected through an AD other than the AD with whom the IIA is maintained, upon having a confirmation from the AD with whom the IIA is maintained confirming that the funds for the purpose of the captioned

capital transactions were debited from the same IIA of the accountholder and income or capital proceeds received from such capital transactions were credited to the same IIA in compliance with the regulations.

- (h) ADs 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 regulations and these Directions.
- (i) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) obtained at the time of making transactions through IIAs beyond any statutory record keeping requirements during the maintenance of the account and for a period not less than six years after the closure of such accounts.

7. Closure of IIAs

- (a) IIAs may be closed only after the repatriation/ transfer of proceeds of disposal/ liquidation of all 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 IIA, for the purpose of crediting future income and any capital proceeds derived from such investments to an IIA opened and maintained with another AD, the AD with whom the original IIA is held, may close the IIA only after forwarding following information/documents for the satisfaction of AD who operates the recipient IIA,
 - i. A confirmation of the outstanding investments made out of the funds in the IIA to be closed (including details of inward remittances, details of the investee, type of investment etc.).
 - ii. Documentary evidence collected from the IIA holder, for the proof of the transactions made through the IIA.
 - (c) In the case of IIAs held by a Sri Lankan citizen employed abroad, resident outside Sri Lanka (excluding emigrants),
 - i. Such IIAs may be closed at the request of the accountholder, after the accountholder becomes a resident.
 - ii. If the IIAs had been continued to operate as permitted under subparagraph 6(d) of these Directions, such IIAs shall be closed after fully utilization of proceeds of disposal/liquidation of all such investments made through same IIA, under the permitted credits and debits.
 - (d) IIAs opened by an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company shall be closed immediately upon completion of the repatriation of proceeds subject to the fulfillment of legal requirement in Sri Lanka.
 - (e) ADs shall inform such closure mentioned (a) to (d) above to the Director- Department of Foreign Exchange within one week from the date of such closure via dfem@cbsl.lk.
8. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from IIAs for any purpose which falls outside the purview of these Directions.

9. Reporting Requirement

- (a) ADs shall furnish the details of IIA to this department on a daily basis via <https://www.cbsl.lk/forexnet>.
- (b) ADs 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.
- (c) ADs 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 and evidence to that effect shall readily be available for inspections by Department of Foreign Exchange.

10. For the purpose of these Directions.

- (a) **"Migration Allowance"** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No.03 of 2021 (amendments thereto).
- (b) **"Emigrant"** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No.03 of 2021 (amendments thereto).
- (c) **"Remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.

11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

12. Directions No. 13 of 2017 dated 20 November 2017, No. 2 of 2018 dated 21 December 2018 and Directions No.8 of 2020 dated 7 October 2020 issued to ADs specifying requirements related to IIAs are hereby rescinded.
13. The revocation of previous Directions referred to in Paragraph 12 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
14. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.
15. These Directions shall come into operation with effect from 22 March 2021.

Director, Department of Foreign Exchange
18 March 2021

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 16 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Capital Transactions Rupee Accounts

In terms of the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 03 of 2021 (the regulations) and Sections 9 of the Foreign Exchange Act, No.12 of 2017 (FEA), read with Sections 6 and 7 of the FEA, Authorised Dealers (ADs) are permitted to open and maintain Capital Transactions Rupee Accounts (CTRAs) in the Domestic Banking Unit, subject to the following.

2. Eligible Persons

- (a) An emigrant, resident in or outside Sri Lanka.
- (b) A Non- National resident in or outside Sri Lanka including minors of such person.
- (c) An individual Sri Lankan resident in or outside Sri Lanka who has obtained Temporary Resident visa in another country, aged 18 years or above.
- (d) An individual Sri Lankan resident in Sri Lanka who is a prospective migrant under the parent migration scheme.
- (e) An administrator or executor of the estate of a deceased person who was an emigrant.

3. Opening and Maintaining the CTRAs

- (a) The CTRA may be opened and maintained in the form of Savings or Current (without overdrawing facility) account, in Sri Lanka Rupees.
- (b) Eligible persons shall open only one CTRA in the banking system and shall be held as sole account.
- (c) Both CTRA and Emigrant's Remittable Income Account shall be opened and maintained with the same AD.
- (d) All existing CTRAs except the accounts for which a Registration Number has been issued by the Central Bank, shall be re-designated and continued to be operate as Non Resident Rupee Accounts, within three months from the date of the regulations.
- (e) All existing CTRAs maintained by foreign firms/ companies registered/ incorporated outside Sri Lanka, shall be re-designated and continued to be operated as Non-Resident Rupee Accounts, within three months from the date of the regulations.
- (f) All existing CTRAs maintained by Sri Lankans employed abroad who are residing outside Sri Lanka, shall be re-designated and continued to be operated as Sri Lanka Rupee Accounts, within three months from the date of the regulations.

4. Permitted Credits

- (a) Where the account holder is an emigrant, resident in or outside Sri Lanka;
 - i. Remittances in foreign exchange received from outside Sri Lanka in favour of the account holder through the banking system, for the purpose of local disbursements in Sri Lanka.
 - ii. Any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets), owned by the emigrant while being a resident in Sri Lanka or acquired by utilizing funds through such emigrant's Sri Lanka Rupee accounts prior to the regulations coming into effect.
 - iii. Any proceeds derived from any assets in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited by an emigrant, from a person resident in Sri Lanka.

- iv. Any proceeds derived from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are received as a gift by the emigrant, from an immediate family member who is a person resident in Sri Lanka.
 - v. Any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets, excluding funds held in the Personal Foreign Currency Accounts or Inward Investment Accounts) that are inherited or received by way of a gift to or by the emigrant from another emigrant who is an immediate family member (i.e. transferor) out of the investments, made while being a resident in Sri Lanka or made through his or her Sri Lanka Rupee accounts prior to the regulations coming into effect or inherited by the transferor or received as a gift by the transferor or made through a Non Resident Rupee Account of the transferor as permitted in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
 - vi. Monetary gifts received by the emigrant from an immediate family member, being funds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets).
 - vii. Any income derived from the investments owned or acquired or inherited or received by way of a gift by the emigrant as mentioned under subparagraph 4(a)(ii) to 4(a)(v) of these Directions.
 - viii. Superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
 - ix. Transfers from Non-Resident Rupee Account of the account holder.
- (b) Where the account holder is a Non- National resident in or outside Sri Lanka including a minor;
- i. any income and any capital proceeds of the investments as permitted under subparagraph 4(5) (c), 4 (5) (d) and 4(7) under heading A of Schedule I of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
 - ii. Superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
- (c) Where the account holder is an individual Sri Lankan who has obtained Temporary Resident visa in another country, aged 18 or above; funds equivalent to maximum of USD 30,000, to obtain foreign exchange, as permitted under the regulations.
- (d) Where the account holder is an individual Sri Lankan who is a prospective migrant under the parent migration scheme; funds equivalent to the amount of the payment to be made to overseas authorities for obtaining visa under the parent migration scheme, as permitted under the regulations.
- (e) Where the account holder is an administrator/executor of the estate of a deceased person who was an emigrant;
- i. Transfers from CTRA or Non-Resident Rupee Account or Emigrant's Remittable Income Account of such deceased person.
 - ii. Any income or capital proceeds receivable to such deceased person as referred under paragraph 4(a) excluding 4(a) (vi) of these Directions.
- (f) Income received for the services provided by the account holder; and
- (g) Interest earned in Sri Lanka Rupees on the funds held in the account.

5. Permitted Debits

- (a) Where the account holder is an emigrant resident outside Sri Lanka or an emigrant leaving Sri Lanka (initially or subsequently);
- i. Remittance/ transfer eligible migration allowance to a Personal Foreign Currency Account or Inward Investment Account or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder.
 - ii. Remittance/ transfer of funds which was credited under paragraphs 4(a)(vii) to 4(a)(viii) above to a Personal Foreign Currency Account or Inward Investment Account or Emigrant's Remittable Income Accounts or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder.
 - iii. Transfers to a CTRA of the children, grandchildren, spouse or siblings of the account holder as a gift, subject to the regulations.
 - iv. Transfers to a Non-Resident Rupee Account of the account holder.

- (b) Where the account holder is an emigrant resident in Sri Lanka;
 - i. Withdrawal in foreign currency notes up to the maximum limit specified in the Directions on Current Transactions or transfer of funds for uploading a Foreign Travel Card for travel purpose of the account holder who is a resident in Sri Lanka.
 - ii. Remittance for the purpose of living expenses of immediate family member/s (who is/are dependent/s living outside Sri Lanka) of the account holder who is a resident in Sri Lanka.
- (c) Where the account holder is a Non-National resident in or outside Sri Lanka including a minor;
 - i. Remittance/ transfer of USD 30,000 per annum out of the funds credited under subparagraph 4(b)(i), to Inward Investment Account or Personal Foreign Currency Account or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder;
 - ii. remittances/ transfer out of the funds credited under subparagraph 4(b)(ii) above, to Inward Investment Account or Personal Foreign Currency Account or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder;
- (d) Where the account holder is an individual Sri Lankan who has obtained Temporary Resident visa in another country, aged 18 or above; issuance of foreign exchange up to a maximum of USD 30,000.
- (e) Where the account holder is an individual Sri Lankan who is a prospective migrant under the parent migration scheme; payments to overseas authorities for obtaining visa under the parent migration scheme.
- (f) Where the account holder is an administrator or an executor of the estate of a deceased person who was an emigrant, transfer of funds to the CTRA of beneficiary/s of estate of the deceased person.
- (g) Disbursements in Sri Lanka in Sri Lanka rupees.

6. Procedure for Opening a CTRA

- (a) ADs shall obtain a registration number from the Director-Department of Foreign Exchange prior to opening a CTRA for an eligible person, upon submission of following scanned documents (as applicable) through CTRA@cbsl.lk:
 - i. A completed form of Annex I.
 - ii. A copy of the identification page and alternative and observation pages of the current passport.
 - iii. A copy of the Permanent Residency (PR) endorsement or other documentary evidence/s to prove PR date and country.
 - iv. A copy of the certificate of citizenship or dual citizenship.
 - v. If the emigrant has been born outside Sri Lanka, a copy of the certificate of birth registered in Sri Lanka (if any).
- (b) ADs shall open a CTRA upon receipt of a registration number issued by the Director-Department of Foreign Exchange. At any event, ADs may open the Emigrant's Remittable Income Account in name of the same account holder under the same Registration Number issued by the Director-Department of Foreign Exchange. In the event where an emigrant who already has a Emigrant's Remittable Income Account for which the Registration Number has been issued by the Director – Department of Foreign Exchange requires to open a CTRA, ADs are permitted to open a CTRA under the same Registration Number.

7. Other Conditions

- (a) The migration allowance shall be claimed only at the time of leaving Sri Lanka (initially or subsequently) or at the time that the emigrant is residing outside Sri Lanka.
- (b) The account number assigned to the CTRA in respect of eligible persons, shall be informed to the Director-Department of Foreign Exchange through CTRA@cbsl.lk immediately after it is assigned.
- (c) When opening a CTRA for eligible minors (i.e. persons aged below 18 years), ADs shall open CTRA through his/her natural or legally appointed guardian. Such minors may claim their eligible allowances once they reach 18 years as permitted in the regulations.
- (d) When executing the transaction permitted under the paragraph 4(a)(ix) of these Directions, ADs shall obtain a confirmation on the source of funds from the AD with whom the Non-Resident Rupee Account is maintained.
- (e) When executing the transaction permitted under the paragraph 5(b) of these Directions,

- i. If the travel allowance is to be claimed for the purpose of travel to the country where the account holder has obtained PR or citizenship and the funds to be utilized for this purpose has been credited under paragraph 4(a) (i) to 4(a) (vi) of these Directions, the amount shall be deducted from the eligible migration allowance at the time of claiming such allowance.
 - ii. If the living expenses are to be remitted his/her dependents who are living in the country where the account holder has obtained PR or citizenship and the funds to be utilized for this purpose has been credited under paragraph 4(a) (i) to 4(a) (vi) of these Directions, the amount shall be deducted from the migration allowance at the time of claiming such allowance.
- (f) When executing the transaction permitted under the paragraph 5(a)(iv) and 5(f) of these Directions, ADs shall forward a confirmation on the source of funds to the AD with whom the CTRA is maintained.
- (g) ADs may issue foreign exchange on eligible migration allowance at the time of leaving Sri Lanka initially by the emigrant or on transactions permitted under subparagraph 5(d) above, subject to a maximum of USD 5,000 or equivalent amount in any other designated foreign currency in the form of foreign currency notes with an appropriate endorsement made on the passport by the AD, including date, amount of foreign currency, CTRA registration number, destination.
- (h) If the AD observe or was informed that the emigrant has made outward investments while being a resident in Sri Lanka through an Outward Investment Account, in the country where the said individual has obtained Permanent Residency or Citizenship, the AD shall obtain details of such investments from the AD with whom the Outward Investment Account is maintained and deduct the value of outward remittances made for such investments from the his/her eligible migration allowance of such emigrants and inform the migration of the said emigrant to the AD with whom the Outward Investment Account is maintained, in order to enable the conversion of such Outward Investment Accounts into Non Resident Rupee Accounts.
- (i) ADs shall have a mechanism in place to identify the individual from the registration number issued by this department as well as the CTRA number.
- (j) ADs shall obtain proper legally acceptable documentary evidence including the documents referred in Annex 2 and 3 (where applicable) to establish the legality and *bona-fide* of the underlying transaction to be carried out and ensure the compliance to the regulations and these Directions and maintain such documentary evidence/records (either in hard copy or electronic/digital form) beyond any statutory record keeping requirement until the closure of the CTRA.

8. Closure of CTAs.

- (a) ADs require prior approval of the Director-Department of Foreign Exchange for closure of CTAs opened and maintained in respect of eligible persons except an administrator or executor of the estate of a deceased person permitted under paragraph 2(e) of these Directions.
 - (b) ADs shall close CTAs opened in respect of an administrator or executor of the estate of a deceased person upon completion of the administration activities in Sri Lanka under the estate of such deceased person.
 - (c) ADs shall inform such closure mentioned under 8(b) above to the Director-Department of Foreign Exchange within one week from the date of such closure via CTRA@cbsl.lk.
9. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from CTAs for any purpose which falls outside the purview of these Directions.

10. Reporting Requirement

ADs shall submit a report as per the Annex 4 of these Directions on monthly basis to the Director-Department of Foreign Exchange on or before the 15th day of following month by email to dfem@cbsl.lk.

11. For the purpose of these Directions

- (a) **“Emigrant”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (b) **“Immediate Family member”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (c) **“Parent Migration Scheme”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.

- (d) **“Temporary Resident Visa”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (e) **“Migration Allowance”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (f) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
13. Directions No. 08 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to CTRAs are hereby rescinded.
14. The revocation of previous Directions referred to in Paragraph 13 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
15. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.
16. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex 1 to the Directions No. 16 of 2021

Request for registration number to open a Capital Transactions Rupee Account (CTRA) and Emigrant’s Remittable Income Account (ERIA).

1) Details of CTRA or ERIA Holder

- a). Full Name :
- b). NIC No (Sri Lanka) :
- c). Personal Identification No. (Foreign) :
- d). Current Passport No :
- e). Sri Lankan Passport No. (if any) :
- f). Date of Birth (DD/MM/YY) : Place of Birth:.....
- g). Date of Obtaining PR (DD/MM/YY) :
- h). Country of PR/Citizenship :
- i). The Account to be opened (ERIA or CTRA or Both) :
- j). Eligible Category of the Accountholder (specify the eligibility) :

2) Details of the Authorised Dealer

- a). Name :
- b). Branch :
- c). Branch Address :
- d). Email :
- e). Name of the Requesting Officer :
- f). Designation :
- g). Contact No : Direct:
Mobile:
- h). Date and Signature :

Note: 1. Authorised Dealers are required to fill and submit the Annex 1 with accurate and complete information above.

Annex 2 to the Directions No. 16 of 2021

Documents to be obtained when releasing the foreign exchange for migration allowance

- i. A formal request from emigrant (Authorised Dealers are advised to maintain a format).
- ii. A copy of Personal Identification Card (Foreign).
- iii. A copy of birth certificate of the emigrant.
- iv. Documents to prove the Permanent Residency (PR), Citizenship (if any) and Dual Citizenship (if any).
- v. Copies of introductory pages of the emigrant's current passport (as applicable).
- vi. Valid documents to prove the source/s of funds (eg. Deed of transfer etc.). If it is a gift as permitted in the regulation, it is mandatory to submit a consent letter signed by the grantor along with the certified copies of birth certificate/s or marriage certificate or any other documentary evidence (as applicable) to prove the relationship (as an immediate family member) between grantor and the emigrant.
- vii. A tax clearance certificate from the Commissioner General of Inland Revenue Department of Sri Lanka for the amount to be remitted (if required, as per the regulations of Department of Inland Revenue).
- viii. An affidavit duly stamped and attested by a Justice of Peace/ Commissioner for Oaths/ solicitor, declaring that,
 - (a) no transfers have been made or will be made in excess of the initial allowance of USD 200,000 and the annual allowance of USD 30,000, as applicable. If any migration allowance has been availed prior to the date of declaration, it should be declared.
 - (b) no transfers have been made for the purpose of investing/acquiring asset outside Sri Lanka. If any investment has been made, details of such investments (name of the AD through which the remittances made, date of remittance, amount, currency, name and number of the account, nature of the investment, details of investee) along with documentary evidences should be declared.
- ix. A copy of air ticket (as applicable).
- x. A copy of emigrant's power of attorney (as applicable).
- xi. Other than above, Authorised Dealers may obtain any documentary evidence/information in order to adhere to their internal procedures and as required in paragraph 7(i) of these Directions.

Annex 3 to the Directions No. 16 of 2021

Documents to be obtained when releasing the foreign exchange for the capital transaction permitted for "A Non- National resident in or outside Sri Lanka" under these Directions

- i. A formal request from the applicant (Authorised Dealers are advised to maintain a format).
- ii. Copy of Personal Identification Card (Foreign).
- iii. A copy of the introductory pages of the current passport, of the applicant.
- iv. Valid documents to prove the source/s of funds.
- v. A tax clearance certificate from the Commissioner General of Inland Revenue Department of Sri Lanka for the amount to be remitted (if required, as per the regulations of Department of Inland Revenue).
- vi. Other than the above, Authorised Dealers may obtain any documents to adhere to their internal procedures and as required in the paragraph 7 (i) of these Direction.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 17 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Emigrant's Remittable Income Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the Purpose of Engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 (the regulations) and Sections 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA) read with Section 6 and 7 of FEA, Authorised Dealers (ADs) are permitted to open and maintain Emigrant's Remittable Income Accounts

(ERiAs) in the Domestic Banking Unit, for the purpose of repatriation of current income derived in Sri Lanka by an emigrant only if there is a regulatory requirement in the country where the emigrant is residing permanently, to identify the current income globally derived by such emigrant, subject to the following.

2. Eligible Persons

- (a) An emigrant

3. Opening and maintaining the ERiAs

- (a) ERiA may be opened and maintained in the form of Savings or Current (without overdrawing facility) account, in Sri Lanka Rupees as sole account.
- (b) Eligible persons shall open only one ERiA in the banking system.
- (c) Both the Capital Transaction Rupee Account and ERiA shall be opened and maintained with the same AD.
- (d) An AD is permitted to open and maintain ERiAs in the name of emigrants who has already opened the Capital Transaction Rupee Accounts with the registration number issued by the Director- Department of Foreign Exchange. An AD shall inform the details of such ERiAs (registration number, name of the emigrant, account number of ERiA) to the Director-Department of Foreign Exchange via CTRA@cbsl.lk, within one week from the date of opening.

4. Procedure for Opening an ERiA

- (a) ADs shall obtain a registration number from the Director-Department of Foreign Exchange when opening a ERiA for an eligible person, upon submission of following scanned documents (as applicable) through CTRA@cbsl.lk:
 - i. A completed form of Annex I.
 - ii. A copy of the identification page and alternative and observation pages of the current passport.
 - iii. A copy of the Permanent Residency (PR) endorsement or other documentary evidence/s to prove PR date and country.
 - iv. A copy of the certificate of citizenship or dual citizenship.
 - v. If the emigrant is born outside Sri Lanka, a copy of the certificate of birth registered in Sri Lanka (if any).
- (b) ADs shall open an ERiA upon receipt of a registration number issued by the Director-Department of Foreign Exchange. At any event, ADs may open the Capital Transaction Rupee Account in name of the same accountholder under the same Registration Number issued by the Director-Department of Foreign Exchange. In the event where an emigrant who already has a Capital Transaction Rupee Account for which a registration number has been issued by the Director – Department of Foreign Exchange requires to open an ERiA, ADs are permitted to open an ERiA under the same Registration Number.

5. Permitted Credits

- (a) Any income derived from any assets in Sri Lanka (including movable, immovable, tangible and intangible assets), owned by the emigrant while being a resident in Sri Lanka or acquired by utilizing funds through such emigrant's Sri Lanka rupee accounts prior to the regulations coming into effect.
- (b) Any income derived from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited by the emigrant, from a person resident in Sri Lanka.
- (c) Any income derived from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are received as a gift by the emigrant, from an immediate family member who is a person resident in Sri Lanka.
- (d) Any income realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited or received as a gift to or by the emigrant, from another emigrant who is an immediate family member (i.e. transferor) out of the investments, made while being a resident in Sri Lanka or made through his/her Sri Lanka Rupee accounts prior to the regulations coming into effect or inherited by the transferor or received as a gift to the transferor or made through Non Resident Rupee Account of the transferor as permitted in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021 (as amendments thereto).
- (e) Income received for services provided by the accountholder.
- (f) Superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].

- (g) Transfers being current income of the accountholder, from a Non Resident Rupee Account or Capital Transaction Rupee Account of the accountholder.
- (h) Interest earned on the funds held in the account.

6. Permitted Debits

- (a) Remittances in favor of the account holder.
- (b) Transfers to Inward Investment Account or Personal Foreign Currency Account or an account maintained in Offshore Banking Unit or an account maintained outside Sri Lanka, of the same accountholder.
- (c) Transfer of funds to the Capital Transaction Account of the administrator/executor of the estate of a deceased person (i.e. accountholder).
- (d) Payments in relation to the loan obtained by the accountholder under the Direction No. 11 of 2021 (as amendments thereto).
- (e) Payments for the settlements of the Electronic Fund Transfer Cards of the accountholder issued in terms of the Directions No. 02 of 2021 (as amendments thereto).
- (f) Disbursements in Sri Lanka in Sri Lanka Rupees.

7. Other terms and conditions

- (a) The account number assigned to the ERIA in respect of eligible persons, shall be informed to the Director-Department of Foreign Exchange through CTRA@cbsl.lk immediately after it is assigned.
- (b) When executing the transaction referred under the subparagraph 5.(g) of these Directions, ADs shall obtain a confirmation on the source of funds from the AD with whom the Non Resident Rupee Account or Capital Transaction Rupee Account is maintained.
- (c) ADs shall obtain documentary evidences for the satisfaction of AD on the requirement of opening ERIA.
- (d) ADs shall obtain proper legally acceptable documentary evidence (as required) to establish the legality and *bona-fide* of the transactions to be carried out through the ERIA and ensure the compliance to the regulations and these Directions.
- (e) ADs shall have a mechanism in place to identify the individual from the registration number issued by this department as well as the ERIA number.
- (f) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through the ERIA held by the emigrants beyond any statutory record keeping requirements during the maintenance of the account.

8. Closure of ERIsAs

- (a) ERIA may be closed at the request of accountholder upon obtaining a confirmation from the accountholder that he/she will not require to open an ERIA in future. ADs are not permitted to open another ERIA in the name of the same account holder under the previous Registration Number issued by the Director-Department of Foreign Exchange.
- (b) ADs shall inform such closure to the Director- Department of Foreign Exchange via an email to CTRA@cbsl.lk, within three working days from the date of such closure.

9. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from ERIsAs for any purpose which falls outside the purview of these Directions.

10. Reporting Requirement

ADs shall submit a report as per the Annex 2 of these Directions on monthly basis to the Director-Department of Foreign Exchange on or before the 15th day of following month by email to dfem@cbsl.lk.

11. For the purpose of these Directions;

- (a) “**Emigrant**” means an individual Sri Lankan who has obtained Permanent Residency status or citizenship in another country, a dual citizen of Sri Lankan origin (Sri Lankan origin means at least one of parents was born in Sri Lanka) and a non-national of Sri Lankan origin residing outside Sri Lanka whose birth has been registered in Sri Lanka, including minors.

- (b) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
- (c) **“Immediate Family member”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No.3 of 2021.
12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
13. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.
14. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange

18 March 2021

Annex 1 to the Directions No. 17 of 2021

Request for registration number to open a Capital Transactions Rupee Account (CTRA) and Emigrant’s Remittable Income Accounts (ERIA)

1) Details of CTRA and ERIA Holder

- a). Full Name :
- b). NIC No (Sri Lanka) :
- c). Personal Identification No. (Foreign) :
- d). Current Passport No :
- e). Sri Lankan Passport No. (if any) :
- f). Date of Birth (DD/MM/YY) : Place of Birth:.....
- g). Date of Obtaining PR (DD/MM/YY) :
- h). Country of PR/Citizenship :
- i). The Account to be opened (ERIA or CTRA or Both) :
- j). Eligible Category of the Accountholder (specify the eligibility) :

2) Details of the Authorised Dealer

- a). Name :
- b). Branch :
- c). Branch Address :
- d). Email :
- e). Name of the Requesting Officer :
- f). Designation :
- g). Contact No : Direct:
Mobile:
- h). Date and Signature :

Note: 1. Authorised Dealers are required to fill and submit the Annex 1 with accurate and complete information above.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 18 OF 2020 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Non Resident Rupee Accounts

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the Purpose of Engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 (the regulations) and Sections 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA) read

with Section 6 and 7 of FEA, Authorised Dealers (ADs) are permitted to open and maintain Non Resident Rupee Accounts (NRRAs) in the Domestic Banking Unit, subject to the following.

2. Eligible Persons

- (a) An emigrant resident in or outside Sri Lanka.
- (b) A firm or a company established/incorporated outside Sri Lanka.

3. Opening and Maintaining the NRRAs

- (a) NRRAs may be opened and maintained in the form of Savings or Current (without overdrawing facility) or Term Deposit account, in Sri Lanka Rupees.
- (b) NRRAs shall be held as sole account and NRRAs maintained by emigrants may be held as joint accounts with another emigrant.
- (c) A firm or a company established/incorporated outside Sri Lanka who expect to execute transactions permitted under subparagraph 4(7) under heading A of Schedule I of the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, shall only be eligible to open one NRAA in the banking system, for such purpose.
- (d) All Capital Transactions Rupee Accounts except the accounts for which Registration Numbers have been issued by the Central Bank, shall be re-designated and continued to be operate as NRRAs, within three months from the date of the regulations.
- (e) All Sri Lanka Rupee Accounts maintained by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status, shall be re-designated and continued to be operated as NRRAs, with immediate effect once the AD is informed or aware on his/her migration.

4. Procedure of re-designating all Sri Lanka Rupee Accounts maintained by an individual Sri Lankan who is a prospective migrant under a Permanent Residency visa issued by another country, as NRRAs;

- (a) Any Sri Lanka Rupee account which maintained as “sole account or joint account” by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status, shall be re-designated and continued to be operate as NRRAs.
- (b) Any Sri Lanka Rupee account maintained as “joint account” by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status with another person resident in Sri Lanka, shall be closed and the said emigrant may open NRRAs, if required. The balance lying in such Sri Lanka Rupee Accounts may be transferred to the NRRAs to be opened by the prospective migrant, subject to the procedure of normal banking business.
- (c) Any Sri Lanka Rupee account maintained as “joint account” by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status with another emigrant, shall be re-designated and continued to be operate as NRRAs.
- (d) Outward Investment Accounts maintained by an emigrant who expects to leave Sri Lanka for the purpose of permanently settling in the country where he/she has obtained Permanent Residency status, shall be re-designated and continued to be operated as NRRAs, with immediate effect once the AD is informed or aware on his/her migration. ADs shall inform such converted of Outward Investment Accounts into NRRAs (including the details such as sum of outward remittances (USD), date of remittances of all investment made to the country where he/she has obtained Permanent Residency status) to the Director- Department of Foreign Exchange via dfem@cbsl.lk within one week from the date of conversion.

5. Permitted Credits

- (a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system, for the purpose of local disbursements in Sri Lanka.
- (b) Where the account holder is an emigrant;
 - i. Any proceeds derived from any assets in Sri Lanka (including movable, immovable, tangible and intangible assets), owned by the emigrant while being a resident in Sri Lanka or acquired by utilizing funds through such emigrant's Sri Lanka rupee accounts prior to the regulations coming into effect or acquired by funding through the account as permitted in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.

- ii. Any proceeds derived from any assets in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited by an emigrant, from a person resident in Sri Lanka.
 - iii. Any proceeds derived from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are received as a gift by an emigrant, from an immediate family member who is a person resident in Sri Lanka.
 - iv. Any proceeds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets) that are inherited or received by way of a gift to or by the emigrant, from another emigrant who is an immediate family member (i.e. transferor) out of the investments, made while being a resident in Sri Lanka or made through his or her Sri Lanka rupee accounts prior to the regulations coming into effect or inherited by the transferor or received as a gift by the transferor or made through an NRRA of transferor as permitted in the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
 - v. Any income derived from the investments owned or inherited or received as a gift by the emigrant as mentioned under subparagraph 5(b)(i) to 5(b)(iv) of these Directions.
 - vi. Superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
- (c) Where the account holder is a firm or a company established/incorporated outside Sri Lanka;
- i. Local income derived from a current transaction, subject to the verification of the documentary evidence and upon establishing *bona-fide* of the transactions.
 - ii. Any income and any capital proceeds of the investments as permitted under subparagraph 4(7) under heading A of Schedule I of the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
- (d) Interest earned on the funds held in the account.

6. Permitted Debits

- (a) Where the account holder is an emigrant;
- i. Payments relating to the investments as permitted the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
 - ii. Transfers to the Capital Transactions Rupee Account of the accountholder.
 - iii. Transfer out of current income of the accountholder credited under paragraph 5(b)(v), to the Emigrant's Remittable Income Account of the account holder.
 - iv. Transfer of funds to the Capital Transaction Rupee Account of the administrator/executor of the estate of a deceased person (i.e. accountholder).
- (b) Where the account holder is a firm or a company established or incorporated outside Sri Lanka;
- i. Remittances out of the funds credited under paragraph 5(c) i. and 5(d) of these Directions.
 - ii. Out of the funds credited under paragraph 5(c) ii. of these Directions, remittance/ transfer of USD 30,000 per annum, to Inward Investment Account or an account maintained in the Offshore Banking Unit or an account maintained outside Sri Lanka, of the account holder.
- (c) Disbursements in Sri Lanka in Sri Lanka Rupees.

7. Other Terms and Conditions

- (a) All income and capital proceeds of such investments made through the NRRA as permitted in the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021 shall be credited to respective NRRA, through which the investment was made.
- (b) When executing the transactions under the subparagraph 6(a)(ii) to 6(a)(iv) of these Directions, ADs shall forward a confirmation on the source of funds to the recipient AD with whom the Capital Transactions Rupee Account or Emigrant's Remittable Income Account is maintained.
- (c) ADs shall obtain legally acceptable documents confirming that,

- i. No NRRRA has been opened with another AD when opening a NRRRA under the subparagraph 3(c) of these Directions.
 - ii. Accepting to forego the future remittances, if the declaration mentioned under 7(c)i was false in any event.
- (d) ADs shall obtain proper legally acceptable documentary evidence (as required) to establish the *bona-fide* of the transactions to be carried out through the NRRRA and ensure the compliance to the regulations and these Directions.
- (e) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through the NRRRA held by the emigrants beyond any statutory record keeping requirements during the maintenance of the account.
- 8. Closure of NRRAs**
- (a) NRRRA may be closed at the request of the account holder if all investments made through NRRRA (if any) are disposed/ liquidated and such proceeds are transferred to the CTRA of the account holder.
- (b) ADs shall inform such closure to the Director- Department of Foreign Exchange via an email to dfem@cbsl.lk, within one week from the date of such closure.
9. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from NRRAs for any purpose which falls outside the purview of these Directions.

10. Reporting Requirement

- (a) ADs shall submit a report as per the Annex of these Directions on monthly basis to the Director-Department of Foreign Exchange on or before the 15th day of following month by email to dfem@cbsl.lk.
- (b) ADs shall submit the details (Name and address of the Account holder, Registration Number of the firm/company in that country, Account Number) of NRRAs opened by the firm/company established/incorporated outside Sri Lanka who expect to execute transactions permitted under subparagraph 4(7) under heading A of Schedule I of the Foreign Exchange (Classes of Capital transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, within one week from the date of opening.
- 11. For the purpose of these Directions;**
- (a) **“Emigrant”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
- (b) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
- (c) **“Immediate Family member”** shall have the same meaning in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021.
12. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
13. All credits and debits of these Directions shall be subject to any Order issued under the section 22 of the FEA.
14. These Directions shall come into operation with effect from **22 March 2021**.

Director
Department of Foreign Exchange
18 March 2021

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 19 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on External Commercial Borrowing Accounts

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021 (the regulations) and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain External Commercial Borrowing Accounts (ECBAs) in the Domestic Banking Unit, subject to the followings.

2. Eligible Persons

- (a) Companies incorporated in Sri Lanka under the companies Act, No 7 of 2007.

3. Opening and Maintaining the ECBA's

- (a) ECBA's may be opened and maintained in the form of Savings or Term Deposit accounts in any designated foreign currency or in Sri Lanka Rupees and shall be held as sole accounts.

4. Permitted Credits

- (a) Remittances/ transfers of proceeds of the loan obtained by the accountholder from an overseas lender, from an account maintained outside Sri Lanka or an Inward Investment Account or an account maintained in Off-shore Banking Unit, of such lender.
- (b) Transfers from an Outward Investment Account or Business Foreign Currency Account, an account maintained in Off-shore Banking Unit or Sri Lankan Rupee account, of the accountholder, for the purpose of servicing the loan.
- (c) Transfers from another ECBA of the same accountholder.
- (d) Interest earned on the funds held in the account.

5. Permitted Debits

- (a) Remittance/ transfers of funds to an account maintained outside Sri Lanka or an Inward Investment Account or an account maintained in Off-shore Banking Unit, of the lender, for the purpose of servicing and repayments of the loan, in terms of the loan agreement.
- (b) Transfers of loan proceeds, to a Sri Lanka Rupee account of the account holder.
- (c) Transfers of loan proceeds, to an Outward Investment Account of the accountholder only if the loan has been obtained for the purpose of financing outward investments, as permitted in the Foreign Exchange (the Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 01 of 2021 or in terms of the provisions of the repealed Exchange Control Act or the FEA.
- (d) Remittances in respect of current transactions of the account holder.
- (e) Transfers to the ECBA's of the same accountholders.
- (f) Bank charges, fees, commissions, etc. payable with respect of the loan.
- (g) Disbursement in Sri Lanka in Sri Lanka Rupees.

6. Other Conditions

- (a) ADs shall open an ECBA savings in respect of receiving the proceeds of each loan and all repayments (including interest) of such loan shall be made through the same ECBA. An affidavit on this effect shall be obtained by the AD from the borrower at the time of opening an ECBA.
- (b) ECBA Term Deposit may be opened only for the purpose of keeping it under lien for a Sri Lanka Rupee loan to be obtained by the accountholder from an AD, in order to mitigate foreign exchange risk. Such shareholders shall make the repayments of the capital of the said foreign currency loan utilizing the funds in the ECBA Term Deposit and rupee conversions will not be permitted for these purposes. Interest on the ECBA Term Deposit shall also be utilized for the repayment of the interest of the foreign currency loan and rupee conversions may be permitted for any shortfall of the repayment of the interest of the said foreign currency loan.
- (c) ECBA Term Deposits are confined only to the permitted credits and debits under subparagraph (c), (d) of paragraph 4 and subparagraph (b) (e) (g) of paragraph 5 of these Directions, respectively, ADs shall obtain a consent of the accountholder on the condition stated under paragraph 6(b) of these Directions at the time of opening the ECBA Term Deposit appropriately.
- (d) ADs shall obtain proper legally acceptable documentary evidence (as required) including the following information/ documents, to establish the legality and *bona-fide* of the transactions made through the ECBA and ensure the compliance to the regulations and these Directions.
 - i. A certified copy of the loan agreement including the repayment schedule.
 - ii. Profiles of the lender and borrower.
 - iii. A copy of the Resolution passed by the Board of Directors of the company (i.e. borrower) for the approval on the proposed loan, certified by the company secretaries.

- (e) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through the ECBA beyond any statutory record keeping requirements during the maintenance of the account.

7. Closure of ECBA

- (a) ADs shall close an ECBA, if the borrower has fully settled the respective loan.
- (b) However, in the event an ECBA holder requests for a closure of the ECBA before fully settled the respective loan, for the purpose of continue the future repayments of the said loan via a ECBA to be opened with another AD, the AD with whom the original ECBA is held, may close the ECBA only after forwarding following information/documents for the satisfaction of AD who wish to open new ECBA,
- i. A confirmation on the details of the receipt of the loan (Date, Amount with currency type, Lender, Borrower etc.,) all repayments (Date, Amount, Beneficiary details, etc.) and outstanding balance.
 - ii. Documentary evidences collected from the ECBA holder, in proof of the transactions made through the ECBA.
- (c) ADs shall inform such closure to the Director- Department of Foreign Exchange via an email to dfem@cbsl.lk, within one week from the date of such closure.
8. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any transaction/transfer to/from ECBA for any purpose which falls outside the purview of these Directions.

9. Reporting Requirements

ADs shall submit a report as per the Annex of these Directions on monthly basis to the Director-Department of Foreign Exchange on or before the 15th day of following month by email to dfem@cbsl.lk

10. For the purpose of these Directions

- (a) “**Remittances**” shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs, dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
12. Directions No. 01 of 2021 dated 15 January 2021 issued to ADs specifying requirements related to operating of Temporary Special Foreign Currency Accounts for Licensed Finance Companies are hereby rescinded.
13. These Directions shall come into operation with effect from **22 March 2021**.

Director

Department of Foreign Exchange
18 March 2021

DEPARTMENT OF FOREIGN EXCHANGE CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 20 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on issuance and renewal of guarantees in respect of current and capital transaction.

In terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to issue and renew guarantees (i.e. bank guarantees, bonds, standby letters of credit) from the Domestic Banking Unit, as the case may be, in respect of current transactions and capital transactions stipulated below and make payments being claims of such bank guarantees, bonds, standby letters of credit and corporate guarantees subject to the following.

1. Guarantees permitted in respect of current transactions

- (a) ADs are permitted to issue and renew guarantees in respect of current transactions permitted under the Directions on Current Transactions.

2. Guarantees permitted in respect of capital transactions

- (a) In the event where a company incorporated in Sri Lanka (i.e. investor) requires to provide a guarantee to enable a company incorporated outside Sri Lanka (i.e. investee) in which the said investor is a shareholder, to enable the investee

to raise facilities from a financial institution, a guarantee subject to a maximum limit of USD 1,000,000 may be issued if the investment in said investee has been made in compliance with the provisions of the repealed Exchange Control Act or the FEA. The guarantee value shall be proportionate to the percentage shareholding of the investor in the said investee at any given time;

- (b) In the event where a company incorporated in Sri Lanka (i.e. investor) requires to provide a guarantee to enable a branch or project office established outside Sri Lanka by the said investor, to raise facilities from a financial institution, a guarantee up to USD 500,000 may be issued per branch or project office established outside Sri Lanka by the investor, if the investment in said branch or project office has been made in compliance with the provisions of the repealed Exchange Control Act or the FEA.
- (c) In the event the investor does not have the capacity to provide the guarantees specified under subparagraph 2(a) and 2(b) of these Directions on behalf of its investee, the parent company or a fully owned subsidiary of the investee in Sri Lanka (i.e., guarantor) may request to issue such guarantee through an AD with the consent of the investor on the same. Such guarantee may be issued by the AD subject to the limits applicable to the guarantees permitted in subparagraph 2(a) and 2(b) of these Directions. This permission will not be applicable in the event where the investment in overseas has been made out of a Business Foreign Currency Account of the investor.
- (d) In the event where a company incorporated in Sri Lanka act as an agent of a company incorporated outside Sri Lanka (i.e. the principal) subject to an agreement entered into between both parties (agency agreement), a guarantee may be issued on behalf of the agent in favor of the principal up to the amount stipulated in the said agency agreement.
- (e) A guarantee on behalf of a person resident outside Sri Lanka (i.e. investor) against the funds lying to the credit of an Inward Investment Account, of the said investor, in connection with the purchases of shares of companies listed at Colombo Stock Exchange in Sri Lanka.

3. Other guarantees

- (a) A guarantee on behalf of a Business Foreign Currency Account holder in favor of another AD, to enable such Business Foreign Currency Account holder to obtain accommodations under the Direction No. 09 of 2021, from such AD.
- (b) A guarantee on behalf of a property developer (i.e. seller of the property) in favor of an Inward Investment Account holder (i.e. purchaser of the property) up to the 50% of the payments made through the same Inward Investment Account for the purpose of purchasing an apartment from the seller, for the construction period of such property.

4. Other terms and conditions

- (a) ADs shall evaluate and ensure on the contingent liabilities of the company on guarantees provided to third parties so far and the financial strength of the company to meet any contingent liability arising out of the guarantee to be issued and the ability of the beneficiary of the guarantee to meet its obligations which to be secured by the said guarantee by the company in Sri Lanka.
- (b) In the event of issuing guarantees in subparagraph (a), (b) and (c) of paragraph 2 of these Directions, the following conditions are also applicable;
 - i. The investor/ guarantor shall make appropriate legal agreement with the investee to recover the value of the claim (to be made in the event of a default), prior to issuing the said guarantees.
 - ii. Such recoveries as stated in sub paragraph (i) above, shall be brought into the same Outward Investment Account or Business Foreign Currency Account of the investor or rupee account of the investor/ guarantor, through which the payment of the claim was made.
 - iii. If the investment in the investee has been made through a Business Foreign Currency Account of the investor, the proposed guarantee shall be issued subject to the condition that any outward remittance arising from such guarantee shall be claimed out of the funds in the Business Foreign Currency Account of the investor.
 - iv. ADs shall obtain documentary evidence,
 - a) on the compliance with subparagraph (b)(i) above.
 - b) a resolution passed by the Board of Directors of the company (i.e. investor and guarantor) which is certified by the company secretaries or an affidavit/s or any other legally acceptable document on undertaking to comply with subparagraph 4(b)(ii) and 4(b)(iii) of these Directions, to the satisfaction of AD.

- (c) When executing guarantees permitted under paragraph 2 and 3 of these Directions, ADs shall obtain a resolution passed by the Board of Directors of the company which is certified by the company secretaries on,
 - i. the approval for the proposed guarantee and to the effect that no guarantee has been obtained from any other ADs for the same purpose.
 - ii. ensuring that the company has financial strength to meet any contingent liability arising out of the guarantee to be issued.
- (d) ADs 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 regulations and these Directions.
- (e) In the event of issuing a guarantee on behalf of a person resident outside Sri Lanka (i.e. principal obligor) who intends to involve in a current transaction with a person resident in Sri Lanka, in favor of such resident person in Sri Lanka, at the request from the principal obligor or its agent in Sri Lanka, such guarantees shall be issued upon obtaining an enforceable counter guarantee from a reputed international bank outside Sri Lanka with a rating acceptable to the ADs.
- (f) In the event of issuing;
 - i. Advance payment guarantees,
 - (a) the guarantee value shall be less than or equal to the value of the advance payment received by the resident in Sri Lanka from the person resident outside Sri Lanka, and subject to paragraph 3(b) of these Directions.
 - (b) the guarantee shall include a condition that it will be valid only after the receipt of the advance payment from the resident outside Sri Lanka to an account in Sri Lanka of the person resident in Sri Lanka,
 - ii. Performance bond, it shall be subject to proof of award of the contract and conditions stipulated therein.
 - iii. Bid bond, it shall be subject to the conditions stipulated in the tender or quotation.

5. Outward remittances on valid claims

- (a) ADs are permitted to make outward remittances/payments arising from valid claims in respect of the guarantees permitted in these Directions, Corporate Guarantees permitted under *“the paragraph 11 under schedule I of the Foreign Exchange (Classes of Capital Transactions Undertaken Outside Sri Lanka By a Person Resident in Sri Lanka) Regulations No. 01 of 2021”* and Sovereign Guarantees permitted under *“the Schedule I of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021”*, upon satisfying with the *bona-fide* of the underlying transaction, subject to the followings;
 - i. The maximum amount of the valid claim under a guarantee shall be limited to the proportion of the outstanding obligation of the underlying transaction.
 - ii. In the event, a valid claim of a guarantee issued under subparagraph 2(a) of these Directions, the maximum amount of the claim shall be proportionated or lower to the percentage of shareholding of the investor in the investee of the outstanding obligation at the time of the claim.
 - iii. Any claim arising from guarantees issued under subparagraph 2(a) and 2(b) of these Directions where the investment has been made through a Business Foreign Currency Account of the investor, shall be made out of the funds in the Business Foreign Currency Account of the investor.
 - iv. Any valid claim arising from guarantees issued under subparagraphs 3(a) and 3(b) of these Directions shall be made only out of the funds available in the Business Foreign Currency Account of the borrower or property developer, as the case may be.
- 6. ADs shall require prior permission of the Director-Department of Foreign Exchange, for any guarantee for any purpose which falls outside the purview of these Directions.

7. Reporting requirement

A quarterly Report on guarantees issued and renewed by the ADs as permitted in these Directions as per the Annex I shall be forwarded to the Director- Department of Foreign Exchange on or before 15th day of the following month. The scanned copy of the signed report and Ms Excel version of the same shall be forwarded via dfem@cbsl.lk.

8. For the purpose of these Directions.

- (a) **“Current Transactions”** shall refer to the Foreign Exchange Act No 12 of 2017.
- (b) **“Capital Transactions”** shall refer to the Foreign Exchange Act No 12 of 2017.

9. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
10. Previous Directions issued to ADs under the Directions No. 15 of 2017 dated 20 November 2017 specifying requirements related to issuance and renewal of bank guarantees, bonds, standby letters of credit and corporate guarantees, are hereby rescinded.
11. The revocation of previous Directions referred to in Paragraph 10 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
12. These Directions shall come into operation with effect from 22 March 2021.

Director
Department of Foreign Exchange
18 March 2021

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2220/69 - FRIDAY, MARCH 26, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

Order under Section 4

BY virtue of the powers vested in me by Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Mahinda Rajapaksa, Minister of Finance, do by this Order, prescribe the purposes, terms and conditions as specified hereunder, subject to which any hotel registered with the Sri Lanka Tourism Development Authority ("hotels") shall deal in foreign exchange within Sri Lanka.

Hotels are hereby permitted to accept foreign currency from persons resident in Sri Lanka who have foreign currency in their possession up to such limits and subject to such terms and conditions, prescribed by the Minister by an Order published in the Gazette under Section 8 of the Act, in respect of services rendered to such persons by the hotels.

Provided that, foreign currency so accepted, shall not be retained in possession of such hotels, for a period exceeding seven (7) days from the date of the acceptance, without;

- (a) depositing into a Business Foreign Currency Account opened and maintained with an authorised dealer or restricted dealer, in the name of the respective hotel; or
- (b) selling to an authorised dealer, upon submitting evidence to such effect.

MAHINDA RAJAPAKSA
Minister of Finance

Ministry of Finance,
 Colombo 01,
 26th March 2021.

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

No. 2222/37 - WEDNESDAY, APRIL 07, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

1. The Regulations published in the *Gazette Extraordinary* No. 2170/4 on 8 April, 2020 as amended by the Regulations published in the *Gazette Extraordinary* No. 2202/7 on 17 November, 2020, are hereby further amended as follows :
 - (a) The words "Twelve months" appearing in paragraph 1 are hereby repealed and replaced by the words "Twenty Four months".

2. The Regulations published in the *Gazette Extraordinary* No. 2182/32 on 1 July, 2020 as amended by the Regulations published in the *Gazette Extraordinary* No. 2202/7 on 17 November, 2020, are hereby further amended as follows :
- (a) The words “ Twelve months” appearing in paragraph 1 and paragraph 2 are hereby repealed and replaced by the words “Twenty Four months”.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
07th April, 2021.

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS NO. 21 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017
Directions issued to Authorised Dealers on the Special Deposit Accounts**

In terms of the Regulations published in the *Gazette Extraordinary* No. 2170/4 dated 08 April 2020, the subsequent Regulations published in the *Gazette Extraordinary* No. 2182/32 dated 01 July 2020, No. 2196/22 dated 06 October 2020, No. 2222/37 dated 07 April 2021 (the regulations) and section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain Special Deposit Accounts (SDAs) at the Domestic Banking Units (DBUs) subject to the following.

2. Eligible Persons

- (a) Sri Lankan individuals resident in or outside Sri Lanka
- (b) Dual Citizens
- (c) Citizens of other States with Sri Lankan origin
- (d) Non- nationals resident in or outside Sri Lanka
- (e) Funds, corporate bodies, associations incorporated/registered outside Sri Lanka
- (f) Any other well-wisher

3. Opening and Maintaining SDAs

- (a) SDAs shall be opened during the twenty-four months period from 08 April 2020.
- (b) SDAs shall be opened and maintained only in the form of Term Deposits. SDAs in the form of savings accounts may be opened as operational accounts only for the purpose of receiving funds to be placed in SDA Term Deposits and repatriation of funds in SDA Term Deposits.
- (c) SDAs shall be opened and maintained either in any designated foreign currency or in Sri Lanka Rupees (LKR).
- (d) SDAs may be held as joint accounts by eligible persons.

4. Minimum tenure: Six (06) months.

5. **Interest payable:** One (1) percentage point and two (2) percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable (in the currency of deposit) at the maturity of the SDAs, in addition to the deposit interest rates applicable for normal deposits of similar maturities by the respective AD.

Note: *The Central Bank of Sri Lanka (CBSL) will periodically reimburse the additional interest to the ADs in LKR, converted using an indicative rate specified by the CBSL applicable on the date of paying such interest at the maturity of the deposit.*

6. **Repatriation of Funds:** Freely convertible and repatriable outside Sri Lanka on the maturity of term deposits.

7. Permitted Credits

- (a) Inward remittances in foreign currency received from outside Sri Lanka in favour of the account holder through the banking system.
- (b) Transfers from Inward Investment Accounts or accounts maintained in the Offshore Banking Unit by the account holder, out of the proceeds received as inward remittances during the twenty four months period from 08 April, 2020 in favour of the account holder.
- (c) Foreign exchange legitimately acquired and brought by the account holder who arrived into Sri Lanka on or after 01 January, 2020 subject to a declaration made to the Customs Department at the port of arrival, as prescribed by the Minister by an Order published in the *Gazette* under section 8 of the FEA.

- (d) Foreign exchange equal or less than USD 15,000 or an equivalent amount in any designated foreign currency legitimately acquired and brought by the accountholder who arrived into Sri Lanka after 01 January, 2020 subject to an appropriate declaration to the AD.
- (e) Foreign Currency notes in possession of any person resident in Sri Lanka up to such limits and subject to such terms and conditions, as prescribed by the Minister by an Order published in the Gazette under section 8 of the FEA, subject to a declaration on source of funds to the AD.

8. Permitted Debits

- (a) Outward remittances of maturity proceeds upon maturity of the deposit.
- (b) Transfer of maturity proceeds of SDA term deposits to an Inward Investment Account or an account maintained in the Offshore Banking Unit by the same accountholder.
- (c) Transfer of maturity proceeds including the interest of SDAs into an Inward Investment Account (IIA) of the same account holder provided that such SDA holder is eligible to maintain an IIA in terms of the Regulations No. 2 of 2021 published in the *Gazette Extraordinary* No. 2213/35 dated 03 February 2021.
- (d) Transfer of maturity proceeds including the interest of SDAs into a Personal Foreign Currency Account (PFCA) of the same account holder, provided that such SDA holder is eligible to maintain PFCA in terms of the Regulations No. 5 of 2021 published in the *Gazette Extraordinary* No. 2213/38 dated 03 February 2021.
- (e) Disbursements in Sri Lanka in Sri Lanka Rupees.

9. Other Conditions

- (a) In the event of receiving funds through an Inward Investment Account or an account maintained in the Offshore Banking Unit, of the same accountholder, ADs shall ensure that such funds have been received as inward remittances into Sri Lanka on or after 08 April 2020.
- (b) ADs shall ensure that inward remittances which are subject to other regulatory requirements such as export proceeds, returns/sale proceeds of investments made outside Sri Lanka by resident investors or other inward remittances subject to any other statutory requirements are not qualified to be credited to an SDA.
- (c) Premature withdrawals shall be discouraged before the minimum tenure of 6 months. Premature withdrawal of SDAs shall not be eligible for any additional interest payable as per paragraph 5 above.
- (d) SDAs with 6 months maturity period may be rolled over (without interest) only for a further 6 months term and will be only eligible for additional interest rate offered for 6 months tenure SDAs (i.e. 1 percentage point per annum payable at maturity of the deposit, above the deposit interest rates applicable for normal deposits of similar maturities by the respective bank).
- (e) ADs may consider SDAs as collaterals for granting loans in Sri Lanka rupees to persons resident in Sri Lanka. Further, SDAs may be used as collaterals for granting Sri Lankan Rupee loans or Foreign Currency loans to any person resident outside Sri Lanka subject to the relevant regulations on granting loans to such persons as permitted in the Regulations No. 4 of 2021 published in the *Gazette Extraordinary* No. 2213/37 dated 03 February 2021.
- (f) Funds withdrawn under paragraph 8 (e) above cannot be credited back to an SDA.
- (g) In the event of inward remittance in favour of the accountholder routed via another AD due to any corresponding banking relationship, the AD who is the recipient of the inward remittance shall at the time of transferring such funds issue a confirmation, to the AD with whom the SDA is to be opened, stating that such funds have been received as eligible inward remittances.
- (h) Outward remittances in favour of the accountholder may be effected through an AD other than the AD with whom the SDA is maintained, provided that a confirmation shall be obtained from the AD with whom the SDA is maintained stating that the funds were debited from the SDA of the accountholder and out of the funds credited in compliance with the regulations.
- (i) At the time of opening the deposit, ADs shall make customer aware on the terms and conditions of the SDAs.
- (j) ADs may continue to maintain SDAs opened under the Regulations, as normal term deposits in the name of "Special Deposit Account" in the Domestic Banking Unit beyond the designated date of maturity of such SDAs. These SDAs so maintained beyond the date of maturity shall only be offered with the normal deposit interest rates offered by the ADs for other term deposits.

10. Reporting Requirement

- (a) ADs are required to furnish information on SDAs via e-mail dfem@cbsl.lk to this department as follows;

- i. **on weekly basis**, as per the format at **Annex I** to these Directions, not later than the close of the business of the 2nd working day of the following week, and
 - ii. **on monthly basis**, as per the format at **Annex II** to these Directions, on or before the 15th day of the following month.
- (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirements.
11. Previous Directions issued to ADs under the Directions No. 06 of 2020 dated 06 July 2020, No. 09 of 2020 dated 7 October 2020 and No. 10 of 2020 dated 25 November 2020 on SDAs, are hereby rescinded.
12. The revocation of previous Directions referred to in Paragraph 11 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

Director
Department of Foreign Exchange
07 April 2021

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EXTRAORDINARY
 NO. 2222/60 - FRIDAY, APRIL 09, 2021
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PART I : SECTION (I) — GENERAL
Central Bank Notifications
MONETARY LAW ACT, NO. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949.

Professor W D Lakshman
Chairman of the Monetary Board and, Governor of
the Central Bank of Sri Lanka.

Central Bank of Sri Lanka,
 Colombo,
 9th April, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as "Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021".
2. Repatriation of Export Proceeds into Sri Lanka rules No. 1 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2215/39 on 18 February 2021 as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021 published in the *Gazette (Extraordinary)* Notification No. 2218/38 on 9 March 2021, is hereby further amended by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rule.

"4. Every exporter of goods shall, within thirty (30) days upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert Ten per centum (10%) from and out of the total of the said exports proceeds received in Sri Lanka into Sri Lanka Rupees, through a licensed bank.

Provided, however, that such date of conversion, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka as required by Rule 3 (i) above (i. e., not later than One Hundred and Eighty (180) days from the date of shipment)."

DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS NO. 22 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Hotels registered with the Sri Lanka Tourism Development Authority (SLTDA)

In terms of the Order issued under Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) as published in the **Gazette (Extraordinary) Notification No. 2220/69 dated 26.03.2021** (the Order) and Section 9 (4) of the FEA, permission is hereby granted to hotels who have been registered with SLTDA for the purpose of accepting foreign currency from persons resident in Sri Lanka in respect of services rendered to such persons, subject to the following.

2. Foreign currency so accepted by the hotels, shall not be retained in possession, for a period exceeding seven (7) days from the date of the acceptance and require to;
- deposit into a Business Foreign Currency Account opened and maintained with an authorised dealer or restricted dealer in the name of the hotel; or
 - sell to an authorised dealer, upon submitting evidence to such effect.

3. Other Conditions

- The amount of foreign currency accepted shall be limited to the value of the services rendered by the hotel and subject to valid receipts issued for such acceptance.
- Any balance due to the visitors to the hotel being persons resident in Sri Lanka shall be paid in Sri Lanka Rupees.
- Acceptance of foreign currency shall be at the prevailing exchange rates offered by the authorised dealers.
- All transactions related to acceptance of foreign currency notes shall be recorded in a separate register along with related documentary evidence to establish the *bona-fide* of the underlying transaction and shall be retained within the hotel premises enabling inspections of the Central Bank of Sri Lanka (CBSL), as may be required.
- In terms of the Section 5.1 of the Prevention of Money Laundering Act No. 5 of 2006, you are required to inform to the Financial Intelligence Unit (FIU) of CBSL, if you have any reason to believe that the foreign currencies accepted by you in respect of rendering the hotel services from persons resident in Sri Lanka has been derived or realized from any unlawful activity.

4. Reporting Requirement

The hotels permitted by these Directions shall require to submit a report as per the **Annex I** on a quarterly basis to the SLTDA on or before the 15th day of the following month by email to dfem@cbsl.lk.

5. For the purpose of these Directions;

- "authorised dealer" shall have the same meaning as per the Foreign Exchange Act, No. 12 of 2017.
- "restricted dealer" shall have the same meaning as per the Foreign Exchange Act, No. 12 of 2017.
- "the Order" shall be the Order published in Gazette (Extraordinary) Notification No. 2220/69 dated 26.03.2021 in **Annex II**.

6. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing the hotels dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of the FEA or any other written law.

Additional Director

Department of Foreign Exchange

04 May 2021

Annex I to the Directions No. 22 of 2021

Acceptance of foreign currency from persons resident in Sri Lanka in respect of services rendered by the Hotels registered with SLTDA.

Name of the Hotel :

Reporting Quarter & Year

Amount accepted (equivalent in USD)*	Details of deposit/sale of Foreign Currencies (equivalent in USD)*	
	Amount deposited into a Business Foreign Currency Account maintained with an Authorised Dealer/ Restrictd Dealer	Amount sold to an Authorised Dealer.

* Shall report each transaction in USD by using the exchange rates prevailed on the transaction date

We certify that the above information extracted/generated from the books of the hotel are true and accurate.

Name & Designation of the Authorised Person :

Signature & Seal :

Date :

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2229/5 - TUESDAY, MAY 25, 2021

(Published by Authority)

**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 of 2017**

Order under Section 4

BY virtue of the powers vested in me by Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017, Mahinda Rajapaksa, Minister of Finance, do by this Order, prescribe the purposes, terms and conditions as specified hereunder, subject to which companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 shall deal in foreign exchange within Sri Lanka.

2. Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (hereinafter referred to as “parent company”) are hereby permitted to lend in any designated foreign currency to their subsidiaries incorporated in Sri Lanka who are foreign exchange earners with prior permission of the Monetary Board of the Central Bank of Sri Lanka subject to the followings,
 - i. The parent company shall grant the said foreign currency loan (hereinafter referred to as “foreign currency loan”) to the subsidiary only out of the proceeds of a loan obtained by the parent company from a person resident outside Sri Lanka (hereinafter referred to as “foreign loan”) subject to the Foreign Exchange Regulations No. 2 of 2021 published in the *Gazette Extraordinary* No. 2213/35 dated 3 February 2021 (hereinafter referred to as “Regulations No. 2 of 2021”) and the terms and conditions stated under this Order.
 - ii. The parent company shall make the repayments of the said foreign loan out of the foreign exchange earnings of the company including the foreign exchange received from the subsidiaries being the repayments of foreign currency loans granted under the above permission. The rupee conversion for the repayments of the said foreign loan is permitted only as a last resort subject to the directions issued by the Central Bank.
 - iii. The foreign currency loan obtained from the parent company by the subsidiary shall be credited to a Special Foreign Currency Account opened by the subsidiary with an authorised dealer as per the permission granted by the Monetary Board of the Central Bank of Sri Lanka and all repayments of the said loan (principal and the interest) shall be made through the same Special Foreign Currency Account.
 - iv. The subsidiary shall have prospective foreign exchange earnings and all repayments of the said foreign currency loan obtained from the parent company shall be made only out of the foreign exchange earnings of the subsidiary.
 - v. The subsidiary may utilize the proceeds of the said foreign currency loan only for its business operations (excluding any capital transactions outside Sri Lanka).
 - vi. Under no circumstances, the repayments (principal and the interest) of the said foreign currency loan could be made by conversion of rupees into foreign exchange by the subsidiary.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
25 May, 2021.

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2229/9 - FRIDAY, MAY 28, 2021

(Published by Authority)

**PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, No. 58 OF 1949**

RULES made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN
**Chairman of the Monetary Board and Governor of the
Central Bank of Sri Lanka.**

Central Bank of Sri Lanka, Colombo,
28th May, 2021.

Repatriation of Export Proceeds into Sri Lanka

1. These Rules shall be cited as the “Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021”.
2. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2215/39 dated 18 February 2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021 published in the *Gazette (Extraordinary)* Notification No. 2218/38 dated 9 March 2021 and the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021, published in the *Gazette (Extraordinary)* Notification No. 2222/60, dated 9 April 2021, is hereby further amended.

(a) by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rules

“4. Every exporter of goods shall, within thirty (30) days upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert not less than Twenty- five per centum (25%) from and out of the total of the said export proceeds received in Sri Lanka, into Sri Lanka Rupees, through a licensed bank”.

“4A. The Monetary Board may however determine the specific export sectors or industries or individual exporters, who or which may be permitted to convert less than twenty five per centum of the total of the export proceeds received in Sri Lanka, if the Monetary Board is satisfied, in its discretion, that the export goods and processes of such export sector, industry or exporter, utilize a very high percentage of imported goods that cannot be sourced domestically.

Provided however, that in no instance, shall any such partial exemption that the Monetary Board may grant in its discretion, as referred to immediately above, be below ten per centum (10%) of the total export proceeds”.

“4B. Such date of conversion mentioned in Rule 4 and 4A above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i. e., not later than One Hundred and Eighty (180) days from the date of shipment)”.

(b) by the repeal of Rule 5 thereof and the substitution therefor, of the following new Rule

“5. The Monetary Board may in general, having regard to the liquidity situation in the foreign exchange market and the Gross Official Reserve levels in Sri Lanka, determine from time to time, such other percentage as the case may be, of the export proceeds received in Sri Lanka, that shall be converted into Sri Lanka Rupees through a Licensed Bank as the Monetary Board may deem fit and appropriate in the prevailing circumstances”.

DEPARTMENT OF FOREIGN EXCHANGE CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 23 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Diplomatic Foreign Currency Accounts (DFCAs) and Diplomatic Rupee Accounts (DRAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the *Gazette (Extraordinary)* Notification No. 2213/38 dated 03.02.2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017, **item (b) of Paragraph 1.3.2.** of the Directions No. 06 of 2021 dated 18.03.2021, is hereby amended and replaced with the following.

“ (b) withdrawals in foreign currency for local expenses of the accountholder including for travel purposes”.

Director
Department of Foreign Exchange
11 June 2021

DEPARTMENT OF FOREIGN EXCHANGE CENTRAL BANK OF SRI LANKA

DIRECTIONS NO. 24 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 published in the *Gazette (Extraordinary)* Notification No. 2213/38 dated 03.02.2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), the Directions No. 05 of 2021 dated 18.03.2021 (the Directions) issued to Authorised Dealers (ADs), is hereby amended, and read as follows.

- I. **Annex I** of the Directions is hereby amended and replaced with the attached hereof.
- II. In addition to the other conditions specified in the Paragraph 1.5 of the Directions, following shall be included and read as **item (e)** thereof.

(e) Notwithstanding to the fact that foreign exchange is earning from a resident outside Sri Lanka, ADs may maintain the BFCAs already opened in terms of the provisions of the repealed Exchange Control Act, or the Regulations and Directions issued under the provisions of the FEA previous to these Directions, in respect of the persons who fulfill the criteria specified in item 16 of Annex I to these Directions as indirect exporters of goods.

Director
Department of Foreign Exchange
17 June 2021

Annex I

Category of Persons

1. Exporters of goods (Merchandise)
2. Exporters of professional services
3. Persons who engage in the business of Entrepot trade as intermediaries
4. Travel Agents and Tour Operators
5. Hotels and Restaurants
6. Gem and Jewelry Dealers
7. Foreign Employment Agencies
8. Freight Forwarders and Other logistic service providers licensed/authorised by Director General of Merchant Shipping of Sri Lanka
9. Shipping Agents licensed/authorised by Director General of Merchant Shipping of Sri Lanka
10. General Sales Agents licensed/authorised by Director General of Civil Aviation Authority of Sri Lanka
11. Bunker operators licensed by the relevant line Ministry
12. Port Terminal Operators
13. Airline Terminal service providers
14. Food and Beverages suppliers to Shipping lines and Airlines
15. Duty free shops (who engage in permitted business to supply goods and services under duty free concessions)
16. Indirect exporters of goods who comply with the requirements and/ or recommendations of Board of Investment of Sri Lanka or Export Development Board or registered under Temporary Import & Export Processing (TIEP) scheme and importing goods for process and supply such goods to the direct exporters

The Gazette of the Democratic Socialist Republic of Sri Lanka EXTRAORDINARY

No. 2234/19 - WEDNESDAY, JUNE 30, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL Government Notifications FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

IN addition to the Regulations on “Special Deposit Accounts” published in the Gazette Extraordinary Notifications No. 2170/4, No. 2182/32 and No. 2196/22 dated 08th April, 2020, 1st July, 2020 and 06th October, 2020, respectively, as amended by the Gazette Extraordinary Notifications No. 2202/7 and No. 2222/37 dated 17th November, 2020 and 07th April, 2021, respectively (Regulations), permission is granted to rollover the Special Deposit Accounts opened under the Regulations (excluding interest), with six months or twelve months tenures, provided that the accumulated period of the said Special Deposit Accounts does not exceed the maximum of twenty four months from the initial date of placing such deposits, in accordance with the directions issued by the Central Bank.

Special Deposit Accounts so rolled over will be eligible for additional interest offered by the Government as indicated in the Regulations published in the Gazette Extraordinary Notifications No. 2170/4 dated 08th April, 2020, subject to the directions issued by the Central Bank on Special Deposit Accounts.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
30th June, 2021.

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

No. 2234/20 - WEDNESDAY, JUNE 30, 2021
(Published by Authority)

PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made by the Minister of Finance under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
30th June, 2021.

REGULATIONS

1. These regulations may be cited as the Foreign Exchange (Investment in the International Sovereign Bonds issued by the Government of Sri Lanka) Regulations No. 6 of 2021.
2. Permission is hereby granted for companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (excluding companies engaged in finance business as per the Finance Business Act, No. 42 of 2011) in Sri Lanka who have borrowed foreign currency from a person resident outside Sri Lanka in terms of the Foreign Exchange Regulations, to purchase International Sovereign Bonds issued by the Government of Sri Lanka, from the secondary market, utilizing fifty percent of the said borrowing subject to the following terms and conditions and in accordance with the directions issued by the Central Bank of Sri Lanka,
 - i. The Monetary Board of Central Bank of Sri Lanka would consider such requests and grant approval on case by case basis.
 - ii. Balance fifty percent of the said borrowing shall be invested in the Sri Lanka Development Bonds issued by the Government of Sri Lanka.
 - iii. Sources of funds for investments in International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka shall exclusively be from overseas as external borrowings and received as inward remittances into Sri Lanka.
 - iv. Eligible companies shall receive such loan proceeds into an External Commercial Borrowing Account opened with an authorised dealer subject to the prevailing Regulations issued under the Foreign Exchange Act, No. 12 of 2017, on foreign borrowings and all remittances in respect to the investments in International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka shall be made through the same External Commercial Borrowing Account, in accordance with the directions issued by the Central Bank of Sri Lanka.
 - v. Receipts of coupons and maturity proceeds of International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka so acquired, shall be brought back to the credit of the External Commercial Borrowing Account through which the investment was made.
 - vi. Repayments of interest and capital of the corresponding borrowings shall be scheduled (as agreed between the borrower and the lender), to match against receipt of coupons and maturity proceeds of the corresponding investments in International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka.
 - vii. Under no circumstance, the repayments of the said loan obtained from overseas for the purpose of investing in International Sovereign Bonds and Sri Lanka Development Bonds issued by the Government of Sri Lanka, shall be made out of Sri Lanka Rupee conversions into foreign exchange.
 - viii. Further, authorised dealer shall always ensure the due diligence and compliance to the regulations by the eligible companies.

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY**

No. 2234/49 - FRIDAY, JULY 02, 2021
(Published by Authority)

**PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017**

Order under Section 22

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Mahinda Rajapaksa, Minister of Finance, do by this Order,

- i. Suspend the repatriation of funds under the migration allowance out of funds received as monetary gifts by an emigrant from an immediate family member, being funds realized from any asset in Sri Lanka (including movable, immovable, tangible and intangible assets), under the general permission granted in the Part I of the Schedule of the Regulations No. 3 of 2021 published in the Extraordinary Gazette Notifications No. 2213/36 dated 03rd February, 2021 (hereinafter referred to as "Regulations No. 3 of 2021") ;
- ii. Limit the repatriation of funds under the migration allowance through Capital Transactions Rupee Accounts by the emigrants who have already claimed migration allowance under the general permission stated in the Regulations No. 3 of 2021, by the date of this Order, up to a maximum of USD 10,000 or equivalent in any other designated foreign currency, during the effective period of this Order ;
- iii. Limit the eligible migration allowance for the emigrants who are claiming the migration allowance for the first time under the general permission stated in the Regulations No. 3 of 2021, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency, during the effective period of this Order;
- iv. Limit the repatriation of any current income or accumulated current income (including Employees' Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits) by the emigrants through the Capital Transactions Rupee Accounts or Emigrant's Remittable Income Accounts, under the general permission granted in the Regulations No. 3 of 2021, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency, during the effective period of this Order ;
- v. Limit the outward remittances or issuance of foreign exchange for any Sri Lankan individual who resides in or outside Sri Lanka and has obtained Temporary Residence Visa of another country, up to a maximum of USD 20,000 or equivalent in any other designated foreign currency per person, under the general permission granted in the Regulations No. 3 of 2021.
- vi. Limit the issuance of foreign exchange for any person resident in Sri Lanka who intends to leave Sri Lanka under the Temporary Residence Visa of another country up to a maximum of USD 10,000 or equivalent in any other designated foreign currency per person, under the general permission granted in the Schedule of the Regulations No. 4 of 2021 published in the Extraordinary Gazette Notifications No. 2213/37 dated 03rd February, 2021.
- vii. Suspend making payments through Outward Investment Accounts for the purpose of making investments in overseas by persons resident in Sri Lanka under general permission granted in the Schedule of the Regulations No. 1 of 2021 published in the Extraordinary Gazette Notifications No. 2213/34 dated 03rd February, 2021, excluding :
 - (a) investments to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or
 - (b) an additional investment to be made to fulfill the regulatory requirements in the investee's country applicable on the investment already made in compliance with the provisions of the Act or repealed Exchange Control Act, in a company or a branch office in that country, or
 - (c) an additional investment/infusion of funds (as applicable) to be made by eligible resident companies in already established subsidiaries or branch offices in overseas incorporated/established subject to the provisions of the Act or repealed Exchange Control Act, up to a maximum of USD 15,000 or equivalent in any other designated foreign currency, for the purpose of working capital requirements of the investee, or
 - (d) the remittances for the purpose of maintenance of liaison, marketing, agency, project, representative or any other similar offices already established in overseas subject to the provisions of the Act or repealed Exchange Control Act, by eligible resident companies, up to a maximum of USD 30,000 or equivalent in any other designated foreign currency ;

provided that, the Head of Department of Foreign Exchange is satisfied with the fulfillment of such requirement.

- viii. Limit the outward remittances on capital transactions through Business Foreign Currency Accounts or/and Personal Foreign Currency Accounts held by a person resident in Sri Lanka, up to a maximum of USD 20,000 or equivalent in any other designated foreign currency, during the effective period of this Order ;
- ix. The Monetary Board shall have the authority to grant permission in terms of the Section 7 (10) of the Foreign Exchange Act for the investments on case-by-case basis which exceeds the limits specified in the general permission granted in the Regulations No. 1 of 2021 provided that,
- (a) the proposed investment is to be financed out of a foreign currency loan obtained by the investor from a person resident outside Sri Lanka under the provisions of the Foreign Exchange Act, or
 - (b) the proposed investment is to be made to fulfill the regulatory requirement in the investee's country applicable on the investment already made in a company or branch office in that country in compliance with the provisions of the Act or repealed Exchange Control Act.

This Order is valid for a period of six months from the date of this Order.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
30th June, 2021.

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EXTRAORDINARY

No. 2235/22 - TUESDAY, JULY 06, 2021
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PART I : SECTION (I) — GENERAL
Government Notifications
FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA
Minister of Finance

Colombo,
06th July, 2021.

Regulations

The Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette Extraordinary Notification No. 2213/35 dated 03 February 2021 issued under the Foreign Exchange Act, No. 12 of 2017 (the regulations), are hereby amended as follows:

- (1) Item (g) of sub paragraph (8) of the paragraph 1 under heading A of the Part I of the Schedule of the regulations, is hereby repealed and replaced with the following :
 - (g) "debt securities in Sri Lanka Rupees listed in the Colombo Stock Exchange".
- (2) Following is inserted as item (h) of sub paragraph (8) to the paragraph 1 under heading A of the Part I of the Schedule of the regulations :
 - (h) "debt securities in any designated foreign currency listed in the Colombo Stock Exchange"
- (3) Following is inserted as sub paragraph (11) of the paragraph 1 under heading A of the Part I of the Schedule of the regulations.
 - (11) "subject to the exclusions and limitations stated in paragraphs 7 and 8, under heading A of this Part of the Schedule, to acquire, hold or divest all classes of shares in any designated foreign currency (including the shares under an entitlement to shares or conversions to shares) listed in the Colombo Stock Exchange and issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007".
- (4) Following is inserted as sub paragraph (9) of the paragraph 4 under heading A of the Part I of the Schedule of the regulations.
 - (9) "Under no circumstances, the said listed shares or listed debt securities issued in any designated foreign currency by companies in Sri Lanka, under item (h) of sub paragraph (8) and sub paragraph (11) of paragraph 1 under heading A of the Part I of the Schedule, are permitted to be sold to any person resident in Sri Lanka excluding non-nationals who are residing in Sri Lanka and making such investments through Inward Investment Accounts."

- (5) The following is inserted as sub paragraph (10) of the paragraph 4 under heading A of the Part I of the Schedule of the regulations.
- (10) "Further conditions apply for investments made in listed shares and listed debt securities in any designated foreign currency.
- (a) Company shall be a foreign exchange earner that had continuous foreign exchange earnings at a minimum level of 50% of the total annual revenue of the company which is at least equivalent to a minimum of USD 5 million, as per the audited financial statements for the three years immediately preceding the listing in the Colombo Stock Exchange (i.e., the investee). The investee so eligible under these regulations shall have prospective earnings in foreign exchange at the same level.
 - (b) The consideration of the investment in listed shares issued in any designated foreign currency received through the Inward Investment Account of the non-resident investor shall be credited into a Special Foreign Currency Account opened and maintained by the investee with an authorised dealer subject to the directions issued by the Central Bank.
 - (c) An amount equivalent to 60% of the proceeds referred under item (b) of sub paragraph 10 above may be utilized for any capital transaction of the investee, outside Sri Lanka.
 - (d) The investee shall require to repatriate any income or capital proceeds of the said investments made through the Special Foreign Currency Account as permitted in these regulations, into Sri Lanka, to the credit of the same Special Foreign Currency Account through which said investments were made, opened and maintained by the investee with an authorised dealer subject to the directions issued by the Central Bank, within one month from the date of receipt of the payment.
 - (e) An amount equivalent to the portion of 50% of capital gain of proceeds so received may be utilized for any capital transactions outside Sri Lanka through the Special Foreign Currency Account. Any income or capital proceeds of such continued investments also shall be subject to the condition under item (d) of the sub paragraph (10) above.
 - (f) The consideration of the investments in listed debt securities issued in any designated foreign currency received through the Inward Investment Account of the non-resident investor shall be credited into the Special Foreign Currency Account opened and maintained by the investee with an authorised dealer subject to the directions issued by the Central Bank.
 - (g) Any income or maturity proceeds on the listed debt securities or listed shares, issued in any designated foreign currency shall be paid only out of the foreign exchange earnings of the investee held in the Special Foreign Currency Account opened and maintained with an authorised dealer subject to the directions issued by the Central Bank.
 - (h) The investee shall adhere to the rules and regulations of the Colombo Stock Exchange issued in this regard."

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 25 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO.12 OF 2017

Directions issued to Authorised Dealers on the Special Deposit Accounts

In terms of the Regulations published in the Gazette Extraordinary No. 2170/4 dated 08 April 2020, the subsequent Regulations published in the Gazette Extraordinary No. 2182/32 dated 01 July 2020, No. 2196/22 dated 06 October 2020, No. 2222/37 dated 07 April 2021 and Regulations published in the Gazette Extraordinary No. 2234/19 dated 30.06.2021 (the regulations) and section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain Special Deposit Accounts (SDAs) at the Domestic Banking Units (DBUs) subject to the following.

2. Eligible Persons

- (a) Sri Lankan individuals resident in or outside Sri Lanka
- (b) Dual Citizens
- (c) Citizens of other States with Sri Lankan origin
- (d) Non- nationals resident in or outside Sri Lanka
- (e) Funds, corporate bodies, associations incorporated/registered outside Sri Lanka
- (f) Any other well-wisher

3. Opening and Maintaining SDAs

- (a) SDAs shall be opened during the twenty-four months period from 08 April 2020.
- (b) SDAs shall be opened and maintained only in the form of Term Deposits. SDAs in the form of savings accounts may be opened as operational accounts only for the purpose of receiving funds to be placed in SDA Term Deposits and repatriation of funds in SDA Term Deposits.
- (c) SDAs shall be opened and maintained either in any designated foreign currency or in Sri Lanka Rupees (LKR).
- (d) SDAs may be held as joint accounts by eligible persons.

4. Minimum tenure: Six (06) months.

5. Interest payable: One (1) percentage point and two (2) percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable (in the currency of deposit) at the maturity of the SDAs, in addition to the deposit interest rates applicable for normal deposits of similar maturities by the respective AD.

Note: The Central Bank of Sri Lanka (CBSL) will periodically reimburse the additional interest to the ADs in LKR, converted using an indicative rate specified by the CBSL applicable on the date of paying such interest at the maturity of the deposit.

6. Repatriation of Funds: Freely convertible and repatriable outside Sri Lanka on the maturity of term deposits.

7. Permitted Credits

- (a) Inward remittances in foreign currency received from outside Sri Lanka in favour of the account holder through the banking system.
- (b) Transfers from Inward Investment Accounts or accounts maintained in the Offshore Banking Unit by the account holder, out of the proceeds received as inward remittances during the twenty-four months period from 08 April, 2020 in favour of the account holder.
- (c) Foreign exchange legitimately acquired and brought by the accountholder who arrived into Sri Lanka on or after 01 January, 2020 subject to a declaration made to the Customs Department at the port of arrival, as prescribed by the Minister by an Order published in the Gazette under section 8 of the FEA.
- (d) Foreign exchange equal or less than USD 15,000 or an equivalent amount in any designated foreign currency legitimately acquired and brought by the accountholder who arrived into Sri Lanka after 01 January, 2020 subject to an appropriate declaration to the AD.
- (e) Foreign Currency notes in possession of any person resident in Sri Lanka up to such limits and subject to such terms and conditions, as prescribed by the Minister by an Order published in the Gazette under section 8 of the Act, subject to a declaration on source of funds to the AD.

8. Permitted Debits

- (a) Outward remittances of maturity proceeds upon maturity of the deposit.
- (b) Transfer of maturity proceeds of SDA term deposits to an Inward Investment Account or an account maintained in the Offshore Banking Unit by the same accountholder.
- (c) Transfer of maturity proceeds including the interest of SDAs into an Inward Investment Account (IIA) of the same account holder provided that such SDA holder is eligible to maintain an IIA in terms of the Regulations No. 2 of 2021 published in the Gazette Extraordinary No. 2213/35 dated 03 February 2021.
- (d) Transfer of maturity proceeds including the interest of SDAs into a Personal Foreign Currency Account (PFCA) of the same account holder, provided that such SDA holder is eligible to maintain PFCAs in terms of the Regulations No 5 of 2021 published in the Gazette Extraordinary No. 2213/38 dated 03 February 2021.
- (e) Disbursements in Sri Lanka in Sri Lanka Rupees.

9. Other Conditions

- (a) In the event of receiving funds through an Inward Investment Account or an account maintained in the Offshore Banking Unit, of the same accountholder, ADs shall ensure that such funds have been received as inward remittances into Sri Lanka on or after 08 April 2020.

- (b) ADs shall ensure that inward remittances which are subject to other regulatory requirements such as export proceeds, returns/sale proceeds of investments made outside Sri Lanka by resident investors or other inward remittances subject to any other statutory requirements are not qualified to be credited to an SDA.
- (c) Premature withdrawals shall be discouraged before the minimum tenure of 6 months. Premature withdrawal of SDAs shall not be eligible for any additional interest payable as per paragraph 5 above.
- (d) SDAs rolled over under the Regulations with six-months or twelve-months tenures, will be eligible for additional interest for the tenures as stated in the Gazette Extraordinary No. 2170/4 dated 08 April 2020.
- (e) ADs may consider SDAs as collaterals for granting loans in Sri Lanka rupees to persons resident in Sri Lanka. Further, SDAs may be used as collaterals for granting Sri Lankan Rupee loans or Foreign Currency loans to any person resident outside Sri Lanka subject to the relevant regulations on granting loans to such persons as permitted in the Regulations No. 4 of 2021 published in the *Gazette Extraordinary* No. 2213/37 dated 03 February 2021.
- (f) Funds withdrawn under paragraph 8 (e) above cannot be credited back to an SDA.
- (g) In the event of inward remittance in favour of the accountholder routed via another AD due to any corresponding banking relationship, the AD who is the recipient of the inward remittance shall at the time of transferring such funds issue a confirmation, to the AD with whom the SDA is to be opened, stating that such funds have been received as eligible inward remittances.
- (h) Outward remittances in favour of the accountholder may be effected through an AD other than the AD with whom the SDA is maintained, provided that a confirmation shall be obtained from the AD with whom the SDA is maintained stating that the funds were debited from the SDA of the accountholder and out of the funds credited in compliance with the regulations.
- (i) At the time of opening the deposit, ADs shall make customer aware on the terms and conditions of the SDAs.
- (j) ADs may continue to maintain SDAs opened under the Regulations, as normal term deposits in the name of "Special Deposit Account" in the Domestic Banking Unit beyond the designated date of maturity of such SDAs. These SDAs so maintained beyond the date of maturity shall only be offered with the normal deposit interest rates offered by the ADs for other term deposits.
- (k) SDAs so continued as normal term deposits in the name of SDAs which were only eligible for interest offered by the Authorised Dealers for normal term deposits, during the period from 08 April 2021 to the date of the Regulations published in the Gazette Extraordinary No. 2234/19 dated 30.06.2021, may be considered as SDAs so rolled over under the Regulations and be eligible for the additional interest rate as permitted in the Regulations, upon the request of the account holder on the same.

10. Reporting Requirement

- (a) ADs are required to furnish information on SDAs via e-mail dfem@cbsl.lk to this department as follows;
 - i. **on weekly basis**, as per the format at **Annex I** to these Directions, not later than the close of the business of the 2nd working day of the following week, and
 - ii. **on monthly basis**, as per the format at **Annex II** to these Directions, on or before the 15th day of the following month.
 - (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirements.
11. Previous Directions issued to ADs under the Directions No. 21 of 2021 dated 07 April 2021 on SDAs, are hereby rescinded.
12. The revocation of previous Directions referred to in Paragraph 11 above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

Director
Department of Foreign Exchange
08 July 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 26 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Special Foreign Currency Accounts (SFCAs) to facilitate Foreign Currency Denominated Investments on the Colombo Stock Exchange (CSE)

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/35 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No. 2235/22 dated 06.07.2021 (the regulations) and Section 9 read with Sections 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to open and maintain SFCAs to facilitate foreign currency denominated investments on the CSE, subject to the following.

2. Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, having listed shares/ debt securities denominated in any designated foreign currency on the CSE, as permitted by the regulations.

3. Opening and Maintaining the Accounts

- (a) The SFCA may be opened and maintained in the form of savings or term deposit accounts in any designated foreign currency in which shares or debt securities are listed on the CSE.
- (b) SFCA term deposit accounts may be opened only for the purpose of keeping it under lien for a Sri Lanka Rupee loan to be obtained by the account holder from an AD, in order to mitigate the foreign exchange risk.
- (c) Eligible persons shall open only one SFCA as permitted by these Directions in the banking system and shall be held as a sole account.

4. Permitted Credits

- (a) transfer of funds from an Inward Investment Account (IIA) of an eligible investor, being proceeds of listed shares denominated in any designated foreign currency on the CSE in terms of the regulations;
- (b) transfer of funds from an IIA of an eligible investor, being proceeds of listed debt securities denominated in any designated foreign currency on the CSE in terms of the regulations;
- (c) remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system, being any income or capital proceeds derived from the capital transactions made outside Sri Lanka in terms of the regulations;
- (d) transfer of earnings in foreign exchange from a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit of the account holder for the purposes referred to in Paragraph 5 (a) below; and
- (e) interest earned on the funds held in the account, in foreign currency.

5. Permitted Debits

- (a) transfers to an IIA of an eligible investor being payments of any income or maturity proceeds attributed to investments made in listed shares or listed debt securities denominated in any designated foreign currency on the CSE by the holder of IIA, as permitted under the regulations;
- (b) outward remittances in respect of current transactions of the account holder;
- (c) outward remittances in respect of capital transactions of the account holder being funds derived in terms of Paragraphs 4 (a) and 4 (c) above, excluding the proceeds of debt securities, subject to such limits and conditions specified in the regulations; and
- (d) disbursements in Sri Lanka, in Sri Lanka Rupees.

6. Other Conditions

- (a) This SFCA shall not be overdrawn under any circumstances.
- (b) ADs shall obtain adequate documentary evidence including the authorization by the relevant authority/ies, as applicable, at the time of opening this SFCA to determine the applicant's eligibility.

- (c) ADs shall exercise all due diligence in exercising the transactions in foreign exchange through this SFCA in terms of the regulations and these Directions.
- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through this SFCA beyond any statutory record keeping requirements during the maintenance of the account.

7. Reporting Requirement

- (a) ADs shall submit a report as per the **Annex I** on a quarterly basis to the Director-Department of Foreign Exchange (D/DFE) on or before the 15th day of the following month by email to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from banks' books of accounts, as per the above reporting requirement.

8. Closure of the SFCA

- (a) ADs shall close the SFCA, in the event when shares or debt securities denominated in designated foreign currency issued by the account holder has been de-listed on the CSE and/ or account holder is no longer eligible to maintain the SFCA.
- (b) ADs shall inform such closure to the D/DFE via an email to dfem@cbsl.lk within one week from the date of the closure.

9. ADs shall require prior permission of the D/DFE, for any transaction or transfer to/ from this SFCA for any purpose which falls outside the purview of these Directions.

10. For the Purpose of these Directions

- (a) **"remittances"** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.
- (b) **"shares and debt securities"** shall have the same meaning in terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, as amended.
- (c) **"current transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- (d) **"capital transactions"** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- (e) **"designated foreign currency"** shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.
- (f) **"eligible investor"** shall mean an eligible person to open and maintain Inward Investment Accounts as referred to in Paragraph 1. of Part VI of the Schedule to the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, as amended.

11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Additional Director

Department of Foreign Exchange

30 July 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 27 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Business Foreign Currency Accounts (BFCAs)

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/35 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No. 2235/22 dated 06.07.2021 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are hereby permitted to facilitate the following debit to BFCAs, in addition to the debits specified in the Directions No. 05 of 2021 dated 18.03.2021 on BFCAs.

1.4 Permitted Debit

- (s) Transfer of earnings in foreign exchange to the Special Foreign Currency Account opened in terms of the Directions No. 26 of 2021 dated 30 July 2021 by the account holder, for making payments of any income or maturity proceeds attributed to investments made by the eligible investors in respect of listed shares or debt securities denominated in designated foreign currency on the Colombo Stock Exchange, as permitted under the regulations.

**Additional Director
Department of Foreign Exchange
30 July 2021**

**The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
NO. 2251/42 - THURSDAY, OCTOBER 28, 2021
(Published by Authority)**

**PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, NO. 58 OF 1949**

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

Nivard Ajith Leslie Cabraal,
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka.**

Central Bank of Sri Lanka,
Colombo,
28th October, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as the "Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021".
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of the section 10 (c) of the Monetary Law act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lanka Rupees.
3. Every exporter of goods and services shall;
 - (i) mandatorily receive the export proceeds in Sri Lanka, in respect of all goods exported or services provided outside Sri Lanka, within one hundred and eighty (180) days from the date of shipment or provisioning of services, as the case may be; and,
 - (ii) immediately upon all and every receipt/s of export proceeds being received, forthwith submit all related documentary evidence on each and every receipt of export proceeds, in respect of every export of goods and services to the respective Licensed Commercial Bank or a permitted Licensed Specialized Bank (hereinafter referred to as a "licensed bank"), that receives such proceeds, in Sri Lanka.
4. Every exporter of goods and services, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned **authorised payments**, on or before the seventh (7th) day of the following month,
 - i. outward remittances in respect of current transactions of the exporter of goods and services;

- ii. withdrawal in foreign currency notes or transfer of funds for travel purpose of the exporter of goods and services;
 - iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods and services, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or Banking Act, No. 30 of 1988, as amended;
 - iv. payments for purchases of goods and obtaining services by the exporter of goods and services, related to such export of goods and services including one-month commitments in foreign currency, thereof; and
 - v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received.
5. Such date of conversion mentioned in Rule 4 above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i.e., not later than one hundred and eighty (180) days from the date of shipment or provisioning of services).
 6. All licensed banks shall be required to strictly and mandatorily monitor the receipts of exports proceeds in Sri Lanka, within the period stipulated in Rule 3 above and the conversion of such proceeds as required in Rule 4 above and shall at all times, maintain all necessary documentary evidence relating to, or in connection therewith.
 7. All licensed banks shall submit reports and/or statements to the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka, as may be required from time to time and shall provide unencumbered access to the officers of the Central Bank of Sri Lanka, as may be authorised by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 6 above, and review all actions taken by such licensed banks in ensuring full and strict compliance with these Rules.
 8. The Director of the Department Foreign Exchange of the Central Bank of Sri Lanka shall have the right to initiate action against any non-compliance with, or transgression of these Rules, by any exporter of goods or services or licensed bank, in respect of the export of goods and services, in terms of these Rules.
 9. These Rules shall apply in respect of all and every export of goods and services, made on or after the effective date of these Rules, and shall also apply to the export of goods and services, made prior to the effective date of these Rules, where the hundred and eightieth (180th) date from the date of the shipment of such goods or provisioning of services falls on any date after these Rules come into force.
 10. For the avoidance of any doubt, and for the purposes of these Rules, "Export Proceeds" shall include such proceeds required to be repatriated into Sri Lanka, under and in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021, published in the Gazette (Extraordinary) Notification No. 2213/37, dated 03 February 2021 (as amended) and payments received in foreign exchange by a person resident in Sri Lanka for the services provided including professional, vocational, occupational or business services provided to a person resident outside Sri Lanka.
 11. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialized Bank", shall have the meaning assigned to them in terms of the provisions of the Banking Act, No. 30 of 1988, as amended.
 12. For the purposes of these Rules, the term "current transactions" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
 13. For the purposes of these Rules, the term "withdrawal of foreign currency notes or transfer of funds for travel purposes" shall be in terms of the Directions issued to the licenced banks by the Central Bank of Sri Lanka, under the Section 9 of the Foreign Exchange Act, No.12 of 2017, in that behalf.
 14. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka and published in the Gazette (Extraordinary) Notification No. 2215/39, dated 18 February 2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021, published in the Gazette (Extraordinary) Notification No. 2218/38, dated 9 March 2021, the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021, published in the Gazette (Extraordinary) Notification No. 2222/60, dated 9 April 2021, and the Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021, published in the Gazette (Extraordinary) Notification No. 2229/9, dated 28 May 2021, are hereby repealed.

The Gazette of the Democratic Socialist Republic of Sri Lanka**EXTRAORDINARY**

NO. 2258/23 – WEDNESDAY, DECEMBER 15, 2021

(Published by Authority)

PART I : SECTION (I) — GENERAL**Government Notifications****FOREIGN EXCHANGE ACT, No. 12 OF 2017****Order under Section 22**

BY virtue of the powers vested in me under Section 22 of the Foreign Exchange Act, No. 12 of 2017 (the Act), I, Basil Rajapaksa, Minister of Finance do by this Order, extend the period of validity of the Order under Section 22 of the Act published in the *Extraordinary Gazette Notification* No. 2234/49 dated 02nd July, 2021, for further six months from 02nd January, 2022.

BASIL RAJAPAKSA
Minister of Finance

Colombo 01,
Ministry of Finance
13, December 2021

DEPARTMENT OF FOREIGN EXCHANGE**CENTRAL BANK OF SRI LANKA****DIRECTIONS NO. 28 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017**

Directions issued to Authorised Dealers on Special Foreign Currency Accounts for investee to facilitate Current Transactions (SFCA- Investee)

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021 and Section 9 read with Section 6 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to open and maintain SFCA- Investee, in order to facilitate current transactions out of the proceeds received being an investments into the share capital of the company, so received from a person resident outside Sri Lanka (i.e. non-resident investors), subject to the following.

2. Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, who are receiving the investment from non-resident investor into the share capital of the company in compliance with the Regulations No. 2 of 2021 published in the Gazette No. 2213/35 dated 03.02.2021, as amended, and with the requirement to meet the payments of current transactions and repayments of foreign currency loans.

3. Opening and Maintaining the Accounts

- (a) The SFCA- Investee may be opened and maintained in the form of current (without overdraft facility and cheque drawing facility) or saving accounts in any designated foreign currency, out of the proceeds received as investment into the share capital of the company routed through Inward Investment Accounts (IIAs) of non-resident investors.
- (b) Eligible persons shall open only one SFCA- Investee as permitted by these Directions in the banking system and shall be held as a sole account.
- (c) Opening and maintenance of SFCA- Investee shall be valid only for a one year period from the date of these Directions.

4. Permitted Credits

- (a) transfer of funds from an IIA of the investor/s, being investment into the share capital of the company.
- (b) Interest on the funds in the account.

5. Permitted Debits

- (a) outward remittances with respect to current transactions of the account holder.
- (b) debt servicing expenses, repayment of foreign currency loans or accommodations obtained by the account holder, where such foreign currency loans and accommodations are permitted in terms of the Regulations, Orders and Directions issued under the provisions of the FEA, as amended, adhering to the procedures on repayments/ servicing of such foreign currency loans/ accommodations mentioned in the said Regulations and Directions.
- (c) Local disbursements in Sri Lanka rupees

6. Other Conditions

- (a) ADs shall obtain adequate documentary evidence, at the time of opening this SFCA-Investee to determine the applicant's eligibility in terms of the requirement of the account.
- (b) ADs shall exercise all due diligence in exercising the transactions permitted in foreign exchange through this SFCA-Investee in terms of these Directions.
- (c) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through this SFCA- Investee, up to 6 years period from the closure of SFCA- Investee.

7. Reporting Requirement

- (a) ADs are required to submit the information on opening and maintaining of SFCA- Investee under these Directions in a format as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department on or before the 15th day of the following month, by email to dfem@cbsl.lk
- (b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from banks' books of accounts, as per the above reporting requirement.

8. Closure of the SFCA- Investee

- (a) ADs shall close the SFCA- Investee, if the accountholder has fully utilized the funds in the SFCA- Investee for the intended purposes.
- (b) All SFCA- Investee shall be closed upon lapse of one (1) year from the date of these Directions. In this case, any outstanding balance in the account shall be transferred to a rupee account of the accountholder.
- (c) ADs shall inform such closure to the D/DFE via an email to dfem@cbsl.lk within one week from the date of the closure.

9. ADs shall require prior permission of the D/DFE, for any transaction or transfer to/ from this SFCA- Investee for any purpose which falls outside the purview of these Directions.

10. For the Purpose of these Directions

- (a) "current transactions" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- (b) "designated foreign currency" shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.

11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Director, Department of Foreign Exchange

27 December 2021

**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**

DIRECTIONS NO. 29 OF 2021 UNDER FOREIGN EXCHANGE ACT, NO. 12 OF 2017

Directions issued to Authorised Dealers on Accommodations to Business Foreign Currency Accounts (BFCAs) holders

In terms of the Section 9 of the Foreign Exchange Act, No.12 of 2017, the Directions No. 9 of 2021 dated 18.03.2021 issued to Authorised Dealers (ADs) on Accommodations to BFCA holders (the Directions), is hereby amended, as follows.

- I. In addition to the **Permitted Credits to the BFCA Loan Account** specified in the Paragraph 5.1. of the Directions, following shall be included and read as **item d.** of **Paragraph 5.1.** thereof.

- d. in the event where BFCA holder has received proceeds of equity investments from a person resident outside Sri Lanka (i.e., non-resident investor); transfer of funds from 'Special Foreign Currency Account for investee to facilitate Current Transactions' of the account holder opened and maintained in terms of the Directions No. 28 of 2021 dated 27 December 2021, for the purpose of servicing/ repayment of accommodations obtained under these Directions.

Addl. Director

Department of Foreign Exchange

27 December 2021

Circular – 01/21

27 April 2021

Ref No: 037/05/006/0004/018

To: CEOs/GMs/MDs of Financial Institutes,

Dear Sir/Madam,

IMPLEMENTATION OF AML/CFT MEASURES ON PARTIES INVOLVED WITH ONLINE PAYMENT PLATFORMS

The FIU has observed serious deficiencies in the implementation of Anti Money Laundering and Countering the Financing of Terrorism (AML/CFT) measures carried out on the parties involved (customers and merchants), in the different online payment platforms introduced by Financial Institutions (FIs) during the recent past.

The facilitating financial institution of the respective online payment system has the responsibility to ensure the AML/CFT compliance of all parties involved with such online payment platforms to ensure compliance with Financial Transactions Reporting Act No. 6 of 2006 (FTRA), Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 and other rules, regulations, guidelines issued thereunder in relation to followings, for parties involved with such online payment platforms.

- Identification and verification of customers
- Conduct ongoing due diligence on customers and scrutiny of transactions
- Identification and reporting of Suspicious Transactions
- Wire transfer requirements (in particular, originating financial institution shall make originator information available to the beneficiary financial institution)
- Target financial sanctions screening
- Record keeping
- Other reporting requirements

Yours faithfully

Director
Financial Intelligence Unit

Cc: Compliance Officer

CEO/ Lanka Clear (Pvt) Ltd

Director/Payments and Settlements Department-Central Bank of Sri Lanka

Director/Bank Supervision Department- Central Bank of Sri Lanka

Director/Department of Supervision of Non – Bank Financial Institutions – Central Bank of Sri Lanka

Circular – 02/21

28 April 2021

Ref No: 037/03/009/0001/021

To: CEOs/GMs/MDs of Financial Institutes,

Dear Sir/Madam,

TRENDS IN FOREIGN CURRENCY OUTFLOWS VIA ATMS: CASH WITHDRAWALS IN OVERSEAS

Financial Intelligence Unit (FIU) observes an increasing trend of suspicious transactions related to the above-mentioned suspicion. Accordingly, you are advised to, perform Customer Due Diligence measures as required by the Financial Institutions (Customer Due Diligence) Rules, No. 1 of 2016 at the time of onboarding the customer and when conducting transactions.

Further, your attention is drawn to Section 3 of the Financial Transactions Reporting Act (FTRA), No. 6 of 2006, which requires you not to proceed with transactions if satisfactory evidence of identity is not submitted as required in terms of the provisions of Section 2 of the FTRA. Accordingly, you may take appropriate measures to cancel the Electronic Fund Transfer Cards (EFTCs) issued under the reported accounts or any other account which will be identified in the future under the same suspicion where the person who is conducting the transaction has not been identified as required or where the transaction is carried out by an unauthorised, unidentified third party.

Yours faithfully

Director
Financial Intelligence Unit

Cc: Compliance Officer

Director/Payments and Settlements Department-Central Bank of Sri Lanka

Director/Bank Supervision Department- Central Bank of Sri Lanka

Director/Department of Supervision of Non – Bank Financial Institutions – Central Bank of Sri Lanka

Director/Department of Foreign Exchange - Central Bank of Sri Lanka

Circular – 03/21

4 May 2021

Ref No: 037 /05/003/0005/016

To: CEOs/GM/MDs of the Financial Institutions,

Dear Sir/Madam,

ADDITIONAL MEASURES TO MITIGATE THE EMERGING MONEY LAUNDERING/ TERRORIST FINANCING RISKS DURING THE THIRD WAVE OF THE COVID -19 PANDEMIC

Further to our circular No.03/2020 dated 15.06.2020, the Financial Institutions (FIs) are advised to be vigilant and take additional measures to protect the FIs as well as the financial system from possible money laundering/ terrorist financing risks arising during the third wave of COVID-19 Pandemic.

The criminals may attempt to use the pandemic as an opportunity to misuse the FIs for their intended unlawful activities. Therefore, the FIs are required to strengthen the process of conducting customer due diligence, ongoing monitoring of customers and scrutiny of transactions and also awareness among all level of staff on possible risks in order to mitigate the exposed risk, if any.

Yours faithfully

**Additional Director
Financial Intelligence Unit**

Cc: Compliance Officers, all Financial Institutions

Director General, Securities Exchange Commission

Director General, Insurance Regulatory Commission of Sri Lanka

Director, Bank Supervision Department, Central Bank of Sri Lanka

Director, Department of Supervision of Non-Bank Financial Institutions, Central Bank of Sri Lanka

Director, Payment and Settlements Department, Central Bank of Sri Lanka

Guidelines 02/2021

20 July 2021

Ref: 037/06/008/0006/020

To: CEOs / General Managers / Managing Directors of All Financial Institutions

Dear Sir/Madam,

GUIDELINES FOR FINANCIAL INSTITUTIONS ON CCTV OPERATIONS FOR AML/CFT PURPOSES, NO. 2 OF 2021

The above Guidelines will come into force with immediate effect and shall be read together with the Financial Transactions Reporting Act, No. 06 of 2006 and the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016.

Yours faithfully

E H Mohotty

**Director,
Financial Intelligence Unit**

Cc: Director, Bank Supervision Department of the Central Bank of Sri Lanka

Director, Department of Supervision of Non - Bank Financial Institutions of the Central Bank of Sri Lanka

Director General, Securities and Exchange Commission of Sri Lanka

Compliance Officers, all Financial Institutions

GUIDELINES FOR FINANCIAL INSTITUTIONS ON CCTV OPERATIONS FOR AML/CFT PURPOSES, NO. 2 OF 2021**PART I****Introduction**

1. These Guidelines are issued pursuant to section 15(1)(i) of the Financial Transactions Reporting Act, No. 06 of 2006 (hereinafter referred to as FTRA).
2. These Guidelines are applicable to Financial Institutions (hereinafter referred to as FIs) that are engaged in or carrying out "finance business" as defined in Section 33 of the FTRA where closed-circuit television (hereinafter referred to as CCTV) systems are being used where relevant.

3. These Guidelines should be read along with the Financial Institutions (Customer Due Diligence) Rules, No. 01 of 2016, issued by Gazette Extraordinary No. 1951/13, dated January 27, 2016 (hereinafter referred to as CDD Rules). More specifically, these Guidelines should be referred together with Rules 7 and 11 of the CDD Rules, to take measures specified therein for the purpose of having proper risk control and mitigation measures by having internal policies, controls and procedures to manage and mitigate money laundering and terrorist financing risks and affiliating and integrating Financial Institution's money laundering and terrorist financing risk management with the overall risk management relating to the Financial Institution.
4. These Guidelines are issued in addition to the operational directives or circulars that are issued by the respective sector regulators with regard to CCTV systems.
5. These Guidelines are not intended to be exhaustive and do not constitute legal advice from the Financial Intelligence Unit. Nothing in these Guidelines should be construed as relieving FIs from any of their obligations under the FTRA and regulations and rules issued thereunder.

Part II

The Requirements for CCTV Systems

6. As part of the constant commitment to enhance operational risk management and safeguard banking operations against risks of being abused for money laundering and financing of terrorism, every FI is advised to have in place a robust CCTV system installed fully operational both within and outside of the premises. The business premises refer to the head office, branches, areas of Automated Teller Machines, Cash Recycling Machines and Cash deposit Machines (ATM/CRM/CDM), cash centers, outlets, and any other place or places where Customer Due Diligence (hereinafter referred to as CDD) is conducted.
7. In ensuring the CCTV system installed is effective to enable proper surveillance and monitoring of the business operations, all FIs should consider setting up a system of necessary standard with proper processes and controls, which could, at a minimum, cover the requirements set in these Guidelines.

Placement of CCTV cameras

8. In order to enhance the effective usage of the CCTV system, FIs need to ensure that CCTV cameras are installed at appropriate locations, in a manner that the camera is able to clearly capture, monitor and record the relevant areas where business operations take place. These locations are required to include the counters, customer interaction areas where CDD takes place, areas where safe deposit boxes are located, safe or vault and other cash handling areas, ATMs/CDMs, vehicle parking areas, the entrance and exit of the business premises, any other suitable areas, both inside and outside the building as determined by the FI.
9. The CCTV surveillance systems must be aligned in a suitable manner and at an angle as to obtain a complete and unimpeded view of the area. Further, CCTVs need to be positioned in a manner where the capturing and processing information of the CCTV system is not interfered or impeded by internal or external lighting, glare, or any object.

Functions of CCTV system

10. FIs should ensure all images captured and recorded by the CCTV cameras are visible, recognizable and clear. The visual images or videos rendered through the CCTV cameras need to have the capability of identifying the features of the individuals, if any, that transact and should be clearly discernible from one image from another. In addition, adequate lighting must be maintained in order to capture clear CCTV footage.
11. Higher quality digital equipment should be used in CCTV systems to capture a clear frontal images of individuals. The CCTV systems should permit easy viewing, recording and retrieval of high-quality images (e.g., adequate number of pixels for improved zoom capabilities) of all information contained in CCTV system. Necessary technical specifications (e.g., resolution, frame rate) need to be maintained at a standard level to achieve an effective CCTV surveillance.
12. The CCTV systems of ATMs/CRMs/CDMs should remain operational throughout the 24-hours of a day - every day of the year, including during times when the FI is closed for business.

Real time monitoring

13. FIs should ensure real-time monitoring at the head office and/or branches or at a central monitoring unit, as far as practicable.
14. FIs are advised to obtain assistance of its security services personnel or law enforcement agencies (LEAs) to mitigate immediate risks that may arise to the FI's premises or to equipment, to its customers or to potential customers, or to any person at the vicinity of the CCTV camera, if such risk is detected based on CCTV footage obtained on real-time basis.

Maintenance of records

15. FIs should maintain all information captured in the CCTV system for a minimum period of 180 days.

16. FIs, at their discretion, may retain the CCTV recordings relevant to observed suspicious activities for a longer period.
17. The FIU, LEAs or any other competent authority would, from time to time, instruct the FIs to retain the CCTV recordings relevant to a Suspicious Transactions Report furnished to FIU or any other related CCTV footage of a possible offending until the relevant investigations are concluded by the LEAs or other relevant competent authorities.
18. The FIs should ensure that its CCTV system(s) are capable of transferring the information to data storage devices, to allow retrieving and viewing of the CCTV records on electronic apparatus, such as computers.
19. To confirm the credibility of the CCTV records, FIs should ensure the timing of CCTV recording is properly set, synchronized and is consistent with the time and date of the operations that takes place at the business premises.

System administration and maintenance

20. FIs are expected to allocate adequate resources for CCTV monitoring systems, and sufficiently train the authorised personnel and staff to operate the CCTV system.
21. In order to ascertain effective surveillance and monitoring of business operations, FIs should ensure that the CCTV system(s) deployed is/are properly maintained and operational, and remain under good working condition at all times.
22. The CCTV system should be equipped with the relevant features and functions to enable to implement control measures that will prevent such system from being manipulated or misused by any unauthorised parties.
23. FIs need to ensure that all information and records of the CCTV systems maintained safely and securely without unauthorised access and adequate controls are in place to prevent unauthorised alterations of records and access by unauthorised parties, by designating and appointing officers with appropriate responsibility and authorization levels, limiting system access only to relevant personnel to ensure proper accountability for the assigned functions.
24. FIs are expected to have procedures and mechanisms to ensure that regulators, LEAs and the FIU are able to obtain information and records in relation to money laundering investigations and prosecution upon request without delay.
25. FIs are required to issue internal operational guidelines on placement, functionality, monitoring, record keeping, system maintenance and administration, and include it as a part of AML/CFT policy as well with the approval of BOD.
26. Procedures should be in place for periodical review and audit of the CCTV system(s) for number of existing cameras in the premises at branch level and where standalone ATM/CDM are located. Audits and reviews should ensure the adequacy of the number of cameras, functionality, accuracy, operability, record keeping and other salient requirements. A report of such review/ audit on the adequacy of CCTV coverage should be submitted to the Board of Directors (BOD) and to the senior management.
27. Based on the report submitted to the BOD, if the quality and coverage of CCTV systems are inadequate or more quality and coverage is desired, the senior management and the BOD are advised to take appropriate steps to rectify such deficiency or increase the coverage as appropriate. Further, immediate steps should be taken to replace or upgrade the equipment soon after any malfunction is detected.
28. FIs should ensure activities relating to the maintenance and recalibration of the CCTV system including system upgrading, reformatting and removal of records are clearly recorded in the system's maintenance log and reported to the senior management, as appropriate.

Circular – 04/21

04 October 2021

To: CEOs/GMs/MDs of Licensed Banks,

DEPOSITS MADE UNDER THE FINANCE ACT, NO. 18 OF 2021

When any person/entity depositing funds under the Finance Act, No. 18 of 2021, through a licensed bank, such licensed bank is required to comply with the requirements imposed under Financial Transactions Reporting Act, No. 6 of 2006 and any regulations, rules, directives, guidelines issued there under.

In addition, when a customer makes a deposit under the above scheme, the deposit slip must state that such "deposit is made under the Finance Act, No. 18 of 2021".

**Director
Financial Intelligence Unit**

Cc: Director/ Bank Supervision Department, Central Bank of Sri Lanka
Compliance Officers

Our Ref: 33/04/012/0011/005

01st January 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO OPERATING INSTRUCTIONS FOR LICENSED BANKS ON “INCENTIVE SCHEME ON INWARD WORKER REMITTANCES”

This is with reference to the Operating Instructions (Ref: 33/04/012/ 0011/ 004) for Licensed Banks on “Incentive Scheme on Inward Worker Remittances” issued on 22.12.2020.

This is to inform you that the Paragraph 2(i) of the above Operating Instructions is hereby amended as “The foreign currency income earned through an employment by a Sri Lankan national who is working/ has worked abroad or a Sri Lankan national who resides in Sri Lanka and earns foreign currency income through rendering services in nature of employment abroad will qualify to receive an additional LKR 2.00 per US Dollar (USD) converted to LKR on or after 28.12.2020.

The template for the quarterly information to be submitted to the International Operations Department (IOD) of the Central Bank of Sri Lanka (CBSL) is at Annexure I (Ref: Section 5 (ii) of the previously issued Operating Instructions). Please note that the first reporting as per the attached template should be for the period from 28.12.2020 to 31.03.2021. The other requirements of the previously issued Operating Instructions (Ref: 33/04/012/0011/ 004) remain unchanged.

For any further information, you may contact IOD of the CBSL on 0112398711, 0112477595 or 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Annexure I

**Special Incentive Scheme for Inward Worker Remittances
Quarterly Reimbursement Request**

Name of Bank :
Reporting Period : Quarter ending

Date Converted to LKR (dd/mm/yyyy)	Inward Remittance Currency	Amount Converted			Incentive Paid in LKR
		Equivalent in USD	Rate	Equivalent in LKR	
Total Amount to be Reimbursed for the Quarter Ending					

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer lists maintained by the bank.

Signature :
 Name : Chief Executive Officer Chief Compliance Officer Chief Financial Officer
 Designation:
 Date :

Our Ref: 33/04/012/0011/006

27 January 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON "INCENTIVE SCHEME ON INWARD REMITTANCES"

This is with reference to the Operating Instructions issued to Licensed Banks (LBS) on "Incentive Scheme on Inward Worker Remittances" dated 22.12.2020 and 01.01.2021 (under reference numbers: 33/04/012/0011/004 and 33/04/012/0011/005), respectively.

The cost of the incentive of Rs. 2 per US Dollar (USD) as mentioned in the aforementioned Operating Instructions is borne by the Government of Sri Lanka.

Following from the above, all LBS are hereby required to sell to the Central Bank of Sri Lanka (CBSL) ten per centum of the inward worker remittances which are converted to LKR, in USD, as per the listed guidelines below, with immediate effect.

1. Frequency and the Threshold of USD Sales to the CBSL

- (a) Once ten per centum of total converted inward worker remittances of an LB equals USD 1.0 Mn on a particular working day, such LB is hereby required to sell to the CBSL the said amount, in USD.
- (b) Notwithstanding the provisions of paragraph 1. (a) above, every LB is required to ensure sale of ten per centum of the total converted inward worker remittances of such LB to the CBSL, in any given quarter, in USD.
- (c) Sale of foreign currency to the CBSL referred to in paragraphs 1. (a) and (b) above shall be made on the first working day:
 - (i) after the working day that the said ten per centum of the total converted inward worker remittances equal USD 1.0 Mn, or
 - (ii) after the last working day of a given quarter, whichever occurs earlier

2. Applicable USD / LKR Exchange Rate for Sale of USDs to the CBSL

The volume weighted average of the USDs / LKR exchange rate shall be applicable for the sale of USD to the CBSL. In case of converted currencies other than USDs, the USD / LKR rate shall be derived, as appropriate.

3. Tenor Basis for Settlement

Each transaction between the CBSL and an LB shall be on "TOM (i.e.: T+1)" basis.

4. Settlement Instructions

In settlement, LBS are required to follow the standard USD / LKR settlement instructions. In executing, LBs are required to execute deals through "Thomson Reuters" or "Bloomberg" trading platforms. However, if any LB does not have access to such trading platforms, the said LB is required to use official e-mail as a source for deal execution.

5. Submission of Information

LBS are required to duly complete the following template in a "MS Excel format" named as "Remittance Conversions for the Week/ Quarter ending" (Name of the LB) and are required to e-mail to dfx@cbsl.lk on weekly/ quarterly basis, as may be applicable.

For further information or clarification, you may contact the International Operations Department of the CBSL on 0112398711, 0112477595 or on 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/007

18 February 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS TO LICENSED BANKS ON "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"

This has reference to the Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021 as published in the Gazette Extraordinary No. 2215/39 dated 18.02.2021 (hereinafter referred to as "the Rules"), which have been issued by the Monetary Board of the Central Bank of Sri Lanka (hereinafter referred to as "the CBSL") acting in terms of the provisions of Section 68 read in conjunction with the provisions of Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, in respect of the receipt of export

proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lankan Rupees (a copy of the Rules is at Annex I).

As per the Rules, inter alia, every exporter of goods shall, immediately upon the receipt of such export proceeds into Sri Lanka, convert twenty-five per centum (25%) from and out of the total of the said export proceeds received in Sri Lanka into Sri Lankan rupees (hereinafter referred to as "LKR"), through a Licensed Commercial Bank or a Licensed Specialised Bank (hereinafter referred to as "Licensed Bank"), until further notice.

All Licensed Banks (hereinafter referred to as "LBs") are hereby required to sell fifty per centum (50%) of the export proceeds in various currencies purchased from exporters of goods as per the Rules, to the CBSL in US dollars (hereinafter referred to as "USD"), as per the guidelines given below, with immediate effect, until further notice.

1. Frequency and the Threshold of USD Sales to the CBSL

Once the fifty per centum (50%) of total value of export proceeds in various currencies so converted into LKR by exporters of goods, equals USD 1.0 Mn or more on any working day, on an ongoing basis, an LB is required to sell such amount in USD to the CBSL, on the immediate following working day (Refer the example demonstrated in Annexure II).

2. Applicable USD / LKR Exchange Rate for Sale of USD to the CBSL

The volume weighted average of the USD converted shall be applicable for the sale between the CBSL and an LB. In case of converted currencies other than USD, the USD / LKR rate shall be derived, as appropriate.

3. Tenor Basis for Settlement

Each transaction between the CBSL and an LB shall be on "TOM (i.e.: T+1)" basis.

4. Settlement Instructions

In settlement, LBs are required to follow the standard USD / LKR settlement instructions. In executing, LBs are required to execute deals through "Thomson Reuters" or "Bloomberg" trading platforms. However, if any LB does not have access to such trading platforms, the said LB is required to use official e-mail as a source for deal execution.

5. Monitoring of Export Proceeds, Record Keeping and Accounting

All LBs are required to strictly monitor the receipt of export proceeds into Sri Lanka and conversion of such proceeds into LKR as per the Rules, and are required to maintain all necessary records with supporting documents to be presented upon any inquiry by the CBSL. Further, LBs are required to maintain separate accounts to with regard to such export proceeds and sales of USD to the CBSL under the above requirement.

6. Submission of Information

All LBs are required to submit the duly completed following template in a "MS Excel format" named as "Export Proceeds Conversions as at -" (Name of the LB) upon fulfilling the requirement as stated in paragraph 1 above, on the immediate following working day and are required to e-mail the same to dfx@cbsl.lk.

A Date Converted into LKR (dd/mm/ yyyy)	B Total Export Proceeds Converted under the Requirement of 25% In respective Currency	C 50% of the Converted Export Proceeds (B * 50%)	D Amount Equivalent to USD of "C" (to Nearest Whole Figure)	E Applicable USD / LKR Rate
Volume (USD) Weighted Average Rate Applicable to USD/ LKR as at				xxx.xx
(rounded-off to two decimal places)				

For further information or clarifications, you may contact the International Operations Department of the CBSL on 011 2398715, 011 2477595 or on 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY
 No. 2215/39 - THURSDAY, FEBRUARY 18, 2021
 (Published by Authority)

PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, No. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN
Chairman of the Monetary Board and,
Governor of the Central Bank of Sri Lanka.

Central Bank of Sri Lanka,
 Colombo,
 18th February, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as “Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021”.
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of Section 10 (c) of the Monetary Law Act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such exports proceeds into Sri Lanka Rupees.
3. Every exporter of goods shall, until further notice:
 - (i) receive the export proceeds in Sri Lanka in respect of all goods exported within hundred and eighty (180) days from the date of shipment, and
 - (ii) forthwith submit all related documentary evidence on each and every receipt of export proceeds in respect of every export of goods made, to the respective Licensed Commercial Bank or the Licensed Specialised Bank (hereinafter referred to as “Licensed bank”) that receives such proceeds in Sri Lanka.
4. Every exporter of goods shall, immediately upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert twenty five *per centum* (25%) from and out of the total of the said exports proceeds received in Sri Lanka into Sri Lanka Rupees, through a Licensed bank.
5. The requirement of converting the aforesaid twenty five *per centum* (25%) from and out of the export proceeds received in Sri Lanka, shall continue, until any other percentage as may be determined by the Monetary Board, from time to time.
6. All licensed banks shall be required to mandatorily monitor, strictly, the receipts of exports proceeds in Sri Lanka within the period as stipulated in Rule 3 above and the conversion of such proceeds as required in Rule 4 above, and shall maintain all documentary evidence relating or in connection thereto.
7. All licensed banks shall submit reports to the Director of the Foreign Exchange Department of the Central Bank of Sri Lanka as may be required from time to time and provide unencumbered access to the officers of the Central Bank of Sri Lanka as may be authorised by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 6 above, and to examine and review all actions taken by such licensed banks in securing full and strict compliance with these Rules.
8. These rules shall apply in respect of all goods exported and where the hundred and eightieth (180th) date from the date of the shipment of such goods falls on any date after these Rules come into force.
9. These Rules shall come into force with immediate effect and from the date hereof.
10. For the avoidance of any doubt, and for the purposes of these Rules, ‘Export Proceeds’ shall include such proceeds required to be repatriated, into Sri Lanka, under and in terms of the Regulations made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the Extraordinary Gazette No. 2145/49 of the Democratic Socialist Republic of Sri Lanka dated 17.10.2019.
11. For the purposes of these Rules, the terms “Licensed Commercial Bank” and “Licensed Specialised Bank” shall have the meaning assigned to them in the provisions of the Banking Act, No. 30 of 1988.

Annexure II										
Example: Bank A - Export Proceeds										
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(i)	(l)
Date Converted into LKR	Currency	Total Export Proceeds in Respective Currency	USD/LKR Rate Applicable for Conversion	Total Export Proceeds in USD Equivalent	Total Converted Amount under the Requirement of 25% in USD [(e) * 25%]	50% of the Converted Export Proceeds [(f) * 50%]	Cumulative Value of (g) (as applicable) USD	Amount to be Sold to CBSL USD	Rate Applicable	Settlement Date
01.02.2021	USD	10,000,000	194.00	10,000,000	2,500,000	1,250,000	1,250,000	1,250,000	194.00	03.02.2021
02.02.2021	USD	5,000,000	194.20	5,000,000	1,250,000	625,000	625,000	N/A	N/A	N/A
03.02.2021	USD	6,000,000	194.30	6,000,000	1,500,000	750,000	1,375,000	1,375,000	194.2545*	05.02.2021
04.02.2021	EUR	10,000,000	194.50**	12,000,000***	3,000,000	1,500,000	1,500,000	1,500,000	194.50	08.02.2021
05.02.2021	EUR	5,000,000	194.10	6,000,000***	1,500,000	750,000	750,000	N/A	N/A	N/A
08.02.2021	EUR	6,000,000	194.20	7,200,000***	1,800,000	900,000	1,650,000	1,650,000	194.1545****	10.02.2021

Note: All the numbers, rates and dates given in the above table are arbitrary and only used for illustration purposes.

Assumption: 01.02.2021 is a Monday (Business day) and no holidays are there in February 2021 except for weekends.

$$\begin{aligned}
 \text{*Volume Weighted Average Rate applicable} &= [(194.20*1.25\text{Mn}) + (194.30*1.5\text{Mn.})] / (1.25\text{Mn} + 1.5\text{Mn}) \\
 &= (242.75 + 291.45) / 2.75\text{Mn.} \\
 &= 194.2545
 \end{aligned}$$

** USD/LKR rate is derived based on EUR/LKR and EUR/USD rates. In this illustration, EUR/LKR rate used to convert EUR export proceeds is assumed as 233.40. Further, EUR/USD rate is assumed as 1.2.

*** EUR/USD rate applicable for conversion is 1.2.

$$\begin{aligned}
 \text{**** Volume Weighted Average Rate applicable} &= [(194.10*1.50\text{Mn}) + (194.20*1.80\text{Mn})] / (1.50\text{Mn} + 1.80\text{Mn}) \\
 &= (291.15 + 349.56) / 3.30\text{Mn} \\
 &= 194.1545
 \end{aligned}$$

Our Ref: 33/04/ 012/ 0011/008

17th March 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS FOR LICENSED BANKS ON "INCENTIVE SCHEME ON INWARD REMITTANCES"

This is with reference to the amendments to the Operating Instructions (Ref: 33/04/012/ 0011/006) issued for Licensed Banks (LBS) on Inward Worker Remittances on 27.01.2021, requesting LBS to sell to the Central Bank of Sri Lanka (CBSL) ten per centum (10%) of the inward worker remittances which are converted to Sri Lanka Rupees (LKR), in US dollars (USD).

Considering the prevailing market conditions, the above requirement of LBS to sell ten per centum (10%) of inward worker remittances to the CBSL is suspended in respect of conversion of worker remittances which have taken place from 17.03.2021 onwards with immediate effect, until further notice.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/ 0011/ 009

17th March 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO OPERATING INSTRUCTIONS TO LICENSED BANKS ON "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"

This is with reference to the Operating Instructions (Ref: 33/ 04/ 012/0011/ 007) issued for Licensed Banks (LBS) on Repatriation of Export Proceeds into Sri Lanka on 18.02.2021, requesting LBS to sell fifty per centum (50%) of the export proceeds in various currencies purchased from exporters of goods as per the Rules, to the Central Bank of Sri Lanka (CBSL) in US dollars (USD).

Considering the prevailing market conditions, the above requirement of LBS to sell fifty per centum (50%) of the conversions of export proceeds received as from 17.03.2021 onwards is suspended with immediate effect, until further notice.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/002

29.03.2021

To : Chief Executive Officers and Heads of Treasuries of All Licensed Commercial Banks and National Savings Bank

OPERATING INSTRUCTIONS TO LICENSED COMMERCIAL BANKS AND NATIONAL SAVINGS BANK FOR PARTICIPATION AT THE BUY-SELL, USD/LKR FX SWAPS AUCTIONS CONDUCTED BY THE CENTRAL BANK OF SRI LANKA

All Licensed Commercial Banks (LCBs) and National Savings Bank (NSB) are hereby requested to adhere with the following Operating Instructions in participation at the Buy-Sell, USD/LKR FX SWAPS Auctions Conducted by the Central Bank of Sri Lanka (CBSL).

1. Eligible Banks for Participation

All LCBs and NSB are the eligible banks. Eligible banks may participate at the auction at their own discretion and participation is not mandatory.

2. Near Leg USD / LKR Rate

2.1 If the near leg is on "Spot Basis", the applicable USD / LKR exchange rate for the near leg should be the latest available "Indicative USD/LKR Spot Exchange Rate" published in an official website of the CBSL.

2.2 If the tenor of the near leg deviates from the "Spot Basis" (i.e. either, Cash, Tom or Forward basis) an adjustment of 2 cents per day will be applied to the latest available published "Indicative USD/LKR Spot Exchange Rate", as appropriate (ie: 2 cents per day will be added for forward tenors and deducted for Cash and Tom tenors).

3. Auction Duration

Auction will be closed after 30 minutes from the opening of the auction.

4. Mechanism

- 4.1 The designated CBSL e-mail for Buy-Sell USD/LKR FX SWAPs auctions will be fxswaps.iod@cbsl.lk.
- 4.2 An auction announcement will be e-mailed to Heads of Treasuries and to another one designated e-mail of each eligible bank through a dedicated e-mail address of CBSL (fxswaps.iod@cbsl.lk) with necessary information of the auction. A message will appear on "CJMM Home Screen" with the details of the auction simultaneously.
- 4.3 Eligible banks, at their discretion are requested to submit their bids well in advance to the cut-off time in order to avoid any technical limitations.
(i.e.: If cut-off time is 12:00 Noon, all bids received by CBSL to the designated e-mail fxswaps.iod@cbsl.lk until 12.00 Noon (including 12:00 Noon) will be considered and any bid receive from 12:01 PM onwards will not be considered).
- 4.4 Banks should send their respective bid quantities and SWAP points (One- way) in a designated excel format (which will be attached with each auction announcement notice) to fxswaps.iod@cbsl.lk.
- 4.5 CBSL Tender Board has the discretion to accept all/part of the bids or to reject all/part of the bids submitted by eligible banks, irrespective of the offered volume.

5. Communication of Result

- 5.1 Auction result will be communicated to all eligible banks through the dedicated e-mail address (fxswaps.iod@cbsl.lk).
- 5.2 The banks whose bids have been accepted at the auction will be informed via the designated e-mail, for which bank should confirm receipt of such e-mail.
- 5.3 These e-mails will be considered as deal confirmations by both counterparties for proceeding for settlement.
- 5.4 The International Operations Department of the CBSL has the discretion to request any other information from eligible banks, as and when necessary,

6. Settlement Instructions

The banks are requested to follow standard settlement procedure.

7. Contact Numbers in CBSL

If require further information or clarifications in this respect, you may contact the officers of IOD on 01 12398715, 01 12477595 and 01 12477084.

D. K. Mayadunna
Additional Director
International Operations Department

Our Ref: 33/04/012/0011/10

28 May 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON "INCENTIVE SCHEME ON INWARD REMITTANCES"

This is further to the Operating Instructions issued to Licensed Banks (LBs) on "Incentive Scheme on Inward Worker Remittances" dated 22.12.2020, 01.01.2021, 27.01.2021 and 17.03.2021 (under references 33/04/012/0011/004, 33/04/012/0011/005 and 33/04/012/0011/006, 33/04/012/0011/008, respectively).

All LBs are hereby required to sell to the Central Bank of Sri Lanka, ten per centum (10%) of the inward worker remittances in various currencies, which are converted to LKR, in USD, under the captioned scheme, on a weekly basis, with effect from 28.05.2021, until further notice. The other requirements under paragraphs 2, 3 and 4 as specified in the previously issued Operating Instructions (under reference 33/04/012/0011/006 dated 27.01.2021 at Annexure I), shall remain unchanged.

Further, all LBs are required to diligently submit a weekly certification on the sale of inward worker remittances as given in Annexure II hereto, along with the excel worksheets to support the calculation of the same and forward the same to the e-mail fxsales.mandatory@cbsl.lk, together with the sale of USD to the CBSL, for a particular working week.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 01 12398715, 01 12477595 or on 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Date:**Ref:**

Director
International Operations Department
Central Bank of Sri Lanka

Sale of 10% of Converted Workers' Remittances to the Central Bank of Sri Lanka

We hereby certify that the information contained in the attached excel worksheet at Annexure is accurate and has been extracted and is in accordance with the books of accounts of the (name of the bank). It contains the inward worker remittances for the week commencing from to for the value of USD mn and accordingly, sale of USD..... mn to the Central Bank of Sri Lanka on with the settlement date of

Signature:

Signature:

Name:

Name:

Designation: Chief Compliance Officer

Designation: Chief Financial Officer

Signature:

Name:

Designation: Chief Executive Officer

Our Ref: 33/04/012/0011/11

28 May 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA"

This has reference to the Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL) and published in the Gazette Extraordinary No. 2215/39 dated 18.02.2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021 published in the Gazette Extraordinary No. 2218/38 dated 09.03.2021, the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021 published in the Gazette Extraordinary No. 2222/60 dated 09.04.2021, and the Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021 published in the Gazette Extraordinary No. 2229/09 dated 28.05.2021, in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lankan Rupees.

A copy of the Gazette Extraordinary No. 2229/09 dated 28.05.2021 is at Annexure I.

Under and in terms of the afore mentioned "Repatriation of Export Proceeds into Sri Lanka Rules", every exporter of goods shall, within thirty (30) days upon the receipt of such export proceeds into Sri Lanka, mandatorily convert not less than Twenty Five per centum (25%) from and out of the total of the said export proceeds received in Sri Lanka, into Sri Lanka Rupees (hereinafter referred to as "LKR"), through a licensed commercial bank or a licensed specialized bank (hereinafter referred to as "Licensed Bank"), until further notice, or mandatorily convert such other per centum as may be determined from time to time by the Monetary Board.

Accordingly, all Licensed Banks (hereinafter referred to as "LBs") are required to sell ten per centum (10%) from and out of the Twenty Five per centum (25%) of such export proceeds (equivalent to USD,) so converted into LKR, as required under the above Rules, to the CBSL, in USD, on a weekly basis, with effect from 28.05.2021, until further notice.

The other requirements under paragraphs 2, 3, 4 and 5 as specified in the previously issued Operating Instructions (under reference 33/04/012/0011/007 dated 18.02.2021 at Annexure II) shall remained unchanged.

Furthermore, all LBs are also required hereby to diligently submit a weekly certification on the sale of export proceeds, as given in Annexure III hereto, along with the excel worksheets, in order to support the calculation of the same and the same shall be forwarded to the e-mail fxsales.mandatory@cbsl.lk, together with the sale of USD to the CBSL, for a particular working week.

Please be advised that the failure to comply with the Rules read together with any of the requirements of these consequential Operating Instructions, will amount to an offence in terms of the Monetary Law Act.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398715, 0112477595 or on 0761754680.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Annexure I

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

No. 2229/9 - FRIDAY, MAY 28, 2021
(Published by Authority)

PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, No. 58 OF 1949

RULES made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

PROFESSOR W D LAKSHMAN
Chairman of the Monetary Board and Governor of the
Central Bank of Sri Lanka.

Central Bank of Sri Lanka, Colombo,
28th May, 2021.

Repatriation of Export Proceeds into Sri Lanka

1. These Rules shall be cited as the "Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021".
2. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021 issued by the Monetary Board of the Central Bank of Sri Lanka and published in the *Gazette (Extraordinary)* Notification No. 2215/39 dated 18 February 2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021 published in the *Gazette (Extraordinary)* Notification No. 2218/38 dated 9 March 2021 and the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021, published in the *Gazette (Extraordinary)* Notification No. 2222/60, dated 9 April 2021, is hereby further amended.

(a) by the repeal of Rule 4 thereof and the substitution therefor, of the following new Rules

"4. Every exporter of goods shall, within thirty (30) days upon the receipt of such export proceeds into Sri Lanka as required under Rule 3 above, convert not less than Twenty- five per centum (25%) from and out of the total of the said export proceeds received in Sri Lanka, into Sri Lanka Rupees, through a licensed bank".

"4A. The Monetary Board may however determine the specific export sectors or industries or individual exporters, who or which may be permitted to convert less than twenty five per centum of the total of the export proceeds received in Sri Lanka, if the Monetary Board is satisfied, in its discretion, that the export goods and processes of such export sector, industry or exporter, utilize a very high percentage of imported goods that cannot be sourced domestically.

Provided however, that in no instance, shall any such partial exemption that the Monetary Board may grant in its discretion, as referred to immediately above, be below ten per centum (10%) of the total export proceeds".

"4B. Such date of conversion mentioned in Rule 4 and 4A above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i. e., not later than One Hundred and Eighty (180) days from the date of shipment)".

(b) by the repeal of Rule 5 thereof and the substitution therefor, of the following new Rule

"5. The Monetary Board may in general, having regard to the liquidity situation in the foreign exchange market and the Gross Official Reserve levels in Sri Lanka, determine from time to time, such other percentage as the case may be, of the export proceeds received in Sri Lanka, that shall be converted into Sri Lanka Rupees through a Licensed Bank as the Monetary Board may deem fit and appropriate in the prevailing circumstances".

Annexure III

Date:

Ref:

Director
International Operations Department
Central Bank of Sri Lanka

Sale of 10% out of the 25% of Converted Export Proceeds to the Central Bank of Sri Lanka

We hereby certify that the information contained in the attached excel worksheet at Annexure is accurate and has been extracted and is in accordance with the books of accounts of the name of the bank). It contains the conversion of export proceeds for the week commencing mn and accordingly, sale o ... mn to the Central B .. settlement

Signature:

Name:

Designation: Chief Compliance Officer

Signature:

Name:

Designation: Chief Financial Officer

Signature:

Name:

Designation: Chief Executive Officer

(Scanned copy of the signed letter to be supported with the excel worksheet)

Our Ref: 33/ 04/012/0011/ 12

06 August 2021

To : Chief Executive Officers of All Licensed Commercial Banks and National Savings Bank

**OPERATING INSTRUCTIONS FOR LICENSED BANKS ON CREDITING EXPORT PROCEEDS TO THE RELEVANT
(FOREIGN CURRENCY) ACCOUNTS OF EXPORTERS**

It has been observed that licensed commercial banks and the National Savings Bank (NSB) (hereinafter referred to as "Licensed Banks") defer crediting of export proceeds to the exporters' foreign currency accounts until such exporters furnish relevant documents to the respective bank and this practice of Licensed Banks has been causing material losses to exporters.

Therefore, all Licensed Banks are hereby required to credit the export proceeds to the respective exporter's foreign currency account(s) maintained at the bank, immediately after receiving such proceeds to the respective bank. Upon crediting such export proceeds to the respective foreign currency accounts, Licensed Banks are also required to take measures to stop the withdrawal and / or conversion of such export proceeds from the respective foreign currency accounts until the necessary documents and / or information are furnished by the exporter(s) to the bank.

If any further clarifications are needed in this regard, you may contact International Operations Department of the Central Bank of Sri Lanka via 011 2398715, 011 2398711 or 011 2477084.

Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/13

01 November 2021

To : Chief Executive Officers of All Licensed Banks

**AMENDMENTS TO THE OPERATING INSTRUCTIONS ISSUED TO LICENSED BANKS ON "REPATRIATION OF EXPORT
PROCEEDS INTO SRI LANKA"**

This has reference to the Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka (CBSL) and published in the Gazette Extraordinary No. 2251/42 dated 28.10.2021, in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lanka rupees.

A copy of the Gazette Extraordinary No. 2251/42 dated 28.10.2021 is at Annexure I.

Under and in terms of the aforementioned “Repatriation of Export Proceeds into Sri Lanka Rules”, every exporter of goods and services shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka rupees (hereinafter referred to as “LKR”), upon utilizing such proceeds only in respect of the authorised payments as specified in the aforementioned Rules, on or before the seventh (7th) day of the following month, through a licensed commercial bank or a licensed specialized bank (hereinafter referred to as “Licensed Banks”), until further notice.

Accordingly, all Licensed Banks (hereinafter referred to as “LBS”) are required to sell ten per centum (10%) of such residual of the export proceeds, which are mandatory to convert into LKR, as required under the aforementioned Rules, to the CBSL, in USD, on a weekly basis, with effect from 01.11.2021, until further notice.

The other requirements in the previously issued Operating Instructions (under reference 33/04/012/0011/ 11 dated 28.05.2021 and as specified in paragraphs 2,3,4 and 5 under reference 33/04/012/0011/0007 dated 18.02.2021) shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398715, 0112477084, 0112398711 or on 0112398708.

Yours sincerely,
Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Annexure I

The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

NO. 2251/42 - THURSDAY, OCTOBER 28, 2021
(Published by Authority)

PART I : SECTION (I) — GENERAL
Central Bank of Sri Lanka Notices
MONETARY LAW ACT, NO. 58 OF 1949

Rules made under Section 10 (c) read with Section 68 of the Monetary Law Act, No. 58 of 1949

Nivard Ajith Leslie Cabraal,
Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka.

Central Bank of Sri Lanka,
Colombo,
28th October, 2021

REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA

1. These Rules shall be cited as the “Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021”.
2. The Monetary Board of the Central Bank of Sri Lanka, acting in terms of the provisions of Section 68 read in conjunction with the provisions of the section 10 (c) of the Monetary Law act, No. 58 of 1949, as amended, hereby issues Rules in respect of the receipt of export proceeds into Sri Lanka and the conversion of such export proceeds into Sri Lanka Rupees.
3. Every exporter of goods and services shall;
 - (i) mandatorily receive the export proceeds in Sri Lanka, in respect of all goods exported or services provided outside Sri Lanka, within one hundred and eighty (180) days from the date of shipment or provisioning of services, as the case may be; and,
 - (ii) immediately upon all and every receipt/s of export proceeds being received, forthwith submit all related documentary evidence on each and every receipt of export proceeds, in respect of every export of goods and services to the respective Licensed Commercial Bank or a permitted Licensed Specialized Bank (hereinafter referred to as a “licensed bank”), that receives such proceeds, in Sri Lanka.
4. Every exporter of goods and services, who receives export proceeds in Sri Lanka, in terms of Rule 3 above, shall mandatorily convert residual of the export proceeds received in Sri Lanka, into Sri Lanka Rupees upon utilizing such proceeds only in respect of the below mentioned **authorised payments**, on or before the seventh (7th) day of the following month,
 - i. outward remittances in respect of current transactions of the exporter of goods and services;

- ii. withdrawal in foreign currency notes or transfer of funds for travel purpose of the exporter of goods and services;
 - iii. debt servicing expenses and repayment of foreign currency loans and accommodations obtained by the exporter of goods and services, where such foreign currency loan and accommodation is a permitted borrowing in terms of the Regulations, Orders and Directions issued by the Central Bank of Sri Lanka under the provisions of the Foreign Exchange Act, No. 12 of 2017 or Banking Act, No. 30 of 1988, as amended;
 - iv. payments for purchases of goods and obtaining services by the exporter of goods and services, related to such export of goods and services including one-month commitments in foreign currency, thereof; and
 - v. payments in respect of making investments in Sri Lanka Development Bonds in foreign currency up to ten per-centum (10%) of the export proceeds, so received.
5. Such date of conversion mentioned in Rule 4 above, shall not be a date later than the date before which the export proceeds shall be received in Sri Lanka, as required by Rule 3 (i) above (i.e., not later than one hundred and eighty (180) days from the date of shipment or provisioning of services).
 6. All licensed banks shall be required to strictly and mandatorily monitor the receipts of exports proceeds in Sri Lanka, within the period stipulated in Rule 3 above and the conversion of such proceeds as required in Rule 4 above and shall at all times, maintain all necessary documentary evidence relating to, or in connection therewith.
 7. All licensed banks shall submit reports and/or statements to the Director of the Department of Foreign Exchange of the Central Bank of Sri Lanka, as may be required from time to time and shall provide unencumbered access to the officers of the Central Bank of Sri Lanka, as may be authorised by the Governor or the Deputy Governor, as the case may be, to inspect or examine the records maintained under Rule 6 above, and review all actions taken by such licensed banks in ensuring full and strict compliance with these Rules.
 8. The Director of the Department Foreign Exchange of the Central Bank of Sri Lanka shall have the right to initiate action against any non-compliance with, or transgression of these Rules, by any exporter of goods or services or licensed bank, in respect of the export of goods and services, in terms of these Rules.
 9. These Rules shall apply in respect of all and every export of goods and services, made on or after the effective date of these Rules, and shall also apply to the export of goods and services, made prior to the effective date of these Rules, where the hundred and eightieth (180th) date from the date of the shipment of such goods or provisioning of services falls on any date after these Rules come into force.
 10. For the avoidance of any doubt, and for the purposes of these Rules, "Export Proceeds" shall include such proceeds required to be repatriated into Sri Lanka, under and in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 4 of 2021, published in the Gazette (Extraordinary) Notification No. 2213/37, dated 03 February 2021 (as amended) and payments received in foreign exchange by a person resident in Sri Lanka for the services provided including professional, vocational, occupational or business services provided to a person resident outside Sri Lanka.
 11. For the purposes of these Rules, the terms "Licensed Commercial Bank" and "Licensed Specialized Bank", shall have the meaning assigned to them in terms of the provisions of the Banking Act, No. 30 of 1988, as amended.
 12. For the purposes of these Rules, the term "current transactions" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
 13. For the purposes of these Rules, the term "withdrawal of foreign currency notes or transfer of funds for travel purposes" shall be in terms of the Directions issued to the licenced banks by the Central Bank of Sri Lanka, under the Section 9 of the Foreign Exchange Act, No.12 of 2017, in that behalf.
 14. The Repatriation of Export Proceeds into Sri Lanka Rules No. 1 of 2021, issued by the Monetary Board of the Central Bank of Sri Lanka and published in the Gazette (Extraordinary) Notification No. 2215/39, dated 18 February 2021, as amended by the Repatriation of Export Proceeds into Sri Lanka Rules No. 2 of 2021, published in the Gazette (Extraordinary) Notification No. 2218/38, dated 9 March 2021, the Repatriation of Export Proceeds into Sri Lanka Rules No. 3 of 2021, published in the Gazette (Extraordinary) Notification No. 2222/60, dated 9 April 2021, and the Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021, published in the Gazette (Extraordinary) Notification No. 2229/9, dated 28 May 2021, are hereby repealed.

Our Ref: 33/04/012/0011/014

01 December 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ON "ADDITIONAL INCENTIVE SCHEME ON INWARD WORKERS' REMITTANCES"

This is with reference to the Operating Instructions issued to the Licensed Banks (LBS) on 22.12.2020 on "Incentive Scheme on Inward Workers- Remittances" and as amended on 01.01.2021 and 27.01.2021 (under reference numbers 33/04/012/0011/004, 33/04/012/0011/005 and 33/04/012/0011/006).

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to pay an additional incentive of Rs. 8.00 per US dollar for workers' remittances that are eligible under the Incentive Scheme on Inward Workers' Remittances", as per the Operating Instructions mentioned above, with effect from 01.12.2021 to 31.12.2021 (inclusive of both days), in addition to the incentive of Rs. 2.00 per US dollar paying under the previously issued Operating Instructions dated 22.12.2020 (Ref: 33/09/012/0011/004). Accordingly, the total incentive for inward workers' remittances converting into Sri Lankan rupees during the month of December 2021 shall be Rs. 10.00 per US dollar.

LBS are hereby instructed to submit the claim application to the CBSL with respect to the additional incentive of Rs. 8.00 per US dollar they pay to eligible customers on or before 15.01.2022, as per the template used previously.

All the instructions and requirements of the previously issued Operating Instructions (Ref: 33/04/012/0011/004, 33/04/012/0011/005 and 33/04/012/0011/006) shall remain unchanged.

For further information, you may contact the International Operations Department of the CBSL on 0112398707, 0112398718 or 0112398711.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Our Ref: 33/04/012/0011/015

13 December 2021

To : Chief Executive Officers of All Licensed Banks

OPERATING INSTRUCTIONS ON "INCENTIVES FOR GENERAL PUBLIC FOR DEPOSITING, CONVERTING AND INVESTING OF FOREIGN CURRENCY HELD IN HAND"

1. With an objective of promoting all the foreign currency (FCY) in the country to be channeled through the formal banking system, the general public is encouraged to deposit, convert or invest FCY held in hand through a licensed bank (LB), immediately.
2. These includes FCY held in hand by the general public by:
 - i. purchasing from a LB or from an Authorised Money Changer for the purpose of travel abroad and brought back unutilized into Sri Lanka (up to US dollars 15,000 or in equivalent of other FCY),
 - ii. withdrawing from a Personal Foreign Currency Account (PFCA) for the purpose of travel abroad and brought back unutilized to Sri Lanka (up to US dollars 15,000 or in equivalent of other FCY),
 - iii. earnings from employment, profession or business while abroad and brought into Sri Lanka,
 - iv. acquiring and bringing into Sri Lanka to deposit in Special Deposit Accounts (SDAs) on or after 01 January 2020.
3. LBS are hereby requested to provide following incentives to the general public who deposit, convert or invest such FCY in paragraph 2 above, during the period from 13 - 31 December 2021.
 - i. Pay Sri Lankan Rupee (LKR) 210.00 per US dollar or in equivalent for other FCY, when converting such FCY into I-KR (during the month of December 2021),
 - ii. Pay LKR 210.00 per US dollar or in equivalent for other FCY, when converting and depositing such FCY into an LKR deposit account (during the month of December 2021),
 - iii. Permit to deposit such FCY into the customers' PFCA or SDA,
 - iv. Allow to invest in Sri Lanka Development Bonds.
4. Further, all the LBS are hereby requested to sell twenty per centum (20%) of such FCY converted into LKR during the period from 13 December 2021 to 31 December 2021 (including both days) as in paragraphs 3(i) and 3(ii) above, on a weekly basis, to the Central Bank of Sri Lanka (CBSL), in US dollars. Accordingly, LBS are required to sell such US dollars for a particular working week (Monday to Friday), on Friday (or the last working day) of the same week, starting from 17 December 2021, subject to the usual foreign exchange market holiday conventions.
5. **Applicable USD/LKR Exchange Rate for the Sale of US dollars to the CBSL**
 Transactions between the CBSL and LBS shall be at the exchange rate of 'Rs 200.00 per US dollar.
6. **Tenor of Settlement**
 Transactions between the CBSL and LBS shall be on "TOM (ie., T+1)" basis.

7. Settlement Instructions

In settling, LBS are required to follow the standard USD/LKR settlement instructions. In executing, LBS are required to execute deals through “Thomson Reuters” or “Bloomberg” trading platforms. However, if an LB does not have access to such trading platforms, the said LB is required to use official e-mail as a source for deal execution.

8. Further, LBS are required to diligently submit a weekly certification on the sale of such FCY to the CBSL, which are accepted from the general public in summary form, as per Annexure I hereto, along with the excel worksheets to support the calculation of the same and forward the same to the e-mail fxsales.mandatory@cbsl.lk, together with the sale of USD to the CBSL, for the particular working week.
9. LBS are instructed to submit the claim application to the CBSL with respect to the incentive of LKR 10.00 per US dollar (LKR 210.00 - LKR 200.00 (usual buying exchange rate as per the request of the CBSL to LBs dated 06 September 2021)), that LBs pay to the general public as in paragraphs 3(i) and 3(ii) above, on or before 15.01.2022. Relevant template for is at Annexure II.

10. Accounting and Record Keeping

LBS are required to maintain separate accounts and records in respect of the incentives paid with all necessary supporting documents.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398718 or 0112398711.

Ajith Nivard Cabraal
Governor
Central Bank of Sri Lanka

Annexure I

Date

Ref:

Director

International Operations Department
 Central Bank of Sri Lanka

Sale of 20 per cent of Foreign Currency Converted by the General Public to the Central Bank of Sri Lanka

We hereby certify that the information contained in the attached excel worksheet at the Annexure is accurate and has been extracted, and is in accordance with, the books of accounts of the (name of the bank). It contains the conversion of foreign currency purchased from the general public during the week from to for the value of USD and, accordingly, we hereby sell USD to the Central Bank of Sri Lanka on with the settlement date of

Signature:

Name:

Designation: Chief Compliance Officer

Signature:

Name:

Designation: Chief Financial Officer

Signature:

Name:

Designation: Chief Executive Officer

(Scanned copy of the signed letter to be supported with the excel worksheet)

Annexure II

Date

Ref:

Director
International Operations Department
Central Bank of Sri Lanka

Incentive on Conversions of Foreign Currency accepted from the General Public Reimbursement Request for the period from 13.12.2021 to 31.12.2021

Name of Bank :

(A) Date Converted into LKR (dd/mm/yyyy)	(B) Currency	(C) Amount Converted in USD	(D) Incentive Paid in LKR (D = LKR 10 * C)
Total			

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer lists/records maintained at the bank.

Signature :
Name : Chief Executive Officer Chief Compliance Officer Chief Financial Officer
Designation:
Date :

Our Ref: 33/04/012/0011/016 15th December 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS ON “INCENTIVES FOR GENERAL PUBLIC FOR DEPOSITING, CONVERTING AND INVESTING OF FOREIGN CURRENCY HELD IN HAND”

This is with reference to the Operating Instructions (Ref: 33/04/012/0011/015) for Licensed Banks on “Incentives for General Public for Depositing, Converting and Investing of Foreign Currency held in Hand” issued on 13 December 2021.

This is to inform you that, a new item under paragraph 2 has been inserted as below:
“2 (v) acquiring through other sources, as declared by respective customers (Annexure A)”.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398718 or 0112398711.

Annexure A

The Manager
..... (bank branch)
..... (bank)

Source of Funds Declaration

I hereby declare that (currency type) (amount) converted in to Sri Lanka Rupees today at the (bank and branch name) are derived from legitimate sources.

Full Name: Signature:
Address:
NIC No: Date :

Our Ref: 33/04/012/0011/017

27th December 2021

To : Chief Executive Officers of All Licensed Banks

AMENDMENTS TO THE OPERATING INSTRUCTIONS ON "INCENTIVE SCHEME ON INWARD WORKER REMITTANCES", "REPATRIATION OF EXPORT PROCEEDS INTO SRI LANKA", "ADDITIONAL INCENTIVE SCHEME ON INWARD WORKERS' REMITTANCES" AND "INCENTIVES FOR GENERAL PUBLIC FOR DEPOSITING, CONVERTING AND INVESTING OF FOREIGN CURRENCY HELD IN HAND"

All Licensed Banks (LBS) are hereby informed that the Operating Instructions (OIs) issued by the Central Bank of Sri Lanka (CBSL) on the above schemes are amended, effective from 27.12.2021, to effect the following changes to mandatory foreign exchange sales to the CBSL and to incentives offered under the above schemes.

Accordingly, all LBS are hereby required to sell to the CBSL, on a weekly basis, in US dollars, twenty-five per centum (25%) of:

- a) inward workers' remittances (received in various currencies) which are converted into Sri Lankan rupees (LKR), until further notice,
- b) the residual of export proceeds which is mandatory to convert into LKR, until further notice, and
- c) foreign currency held in hand by the general public which are converted into LKR, until 31.01.2022.

Further, LBS are hereby informed that the incentives offered under the OIs issued on "Additional Incentive Scheme on Inward Workers' Remittance" dated 01.12.2021 and "Incentives for General Public for Depositing, Converting and Investing of Foreign Currency held in Hand" dated 13.12.2021 and as amended on 15.12.2021, are extended until 31.01.2022. Accordingly, LBS are required to submit relevant claim applications to the CBSL for the period from 01.01.2022 to 31.01.2022, on or before 15.02.2022.

Other requirements specified in previously issued OIs on the above schemes shall remain unchanged.

For further information or clarifications, you may contact the International Operations Department of the CBSL on 0112398707, 0112398711 or 0112398715.

Nivard Ajith Leslie Cabraal
Governor
Central Bank of Sri Lanka

Ref. No.: 08/25/001/0005/001

Guidelines No.: SSSS/01/2021

05 January 2021

To: All Participants of the LankaSettle System

GUIDELINES ON RECORDING OF SECONDARY MARKET TRANSACTION DATA AND SENDING SECURITIES SETTLEMENT INSTRUCTIONS TO THE SCRIPLESS SECURITIES SETTLEMENT SYSTEM (SSSS)

Guidelines on Recording of Secondary Market Transaction data and sending Securities Settlement Instructions to the Scripless Securities Settlement System (No. SSSS/02/2020) issued on 09.12.2020 are hereby amended as follows.

1. By the repeal of **guideline 08** and substitution thereof the following new guideline
" 8. Participants are required to adhere to input Securities Instructions to the LankaSecure System as per the Rule 5.7 of Volume 3 of the LankaSettle System Rules version 2.1 issued in 2013 "

M Z M Aazim
Superintendent Public Debt

D Kumaratunge
Director Payments and Settlements

Ref. No.: 08/25/001/0005/001

Circular No.: PDD/01/2021

26 March 2021

To: All Participants of the LankaSettle System

CIRCULAR ON GOVERNMENT SECURITIES TRADE REPORTING (SECONDARY MARKET)

1. In view of enhancing and strengthening the Government Securities (G-Sec) secondary market trading practices, improving the reliability of such trades and increasing investor safety and confidence, a reporting system for secondary market G-Sec trades is introduced to be **effective from 01.04.2021**.

2. The Trade Reporting System mainly focuses identifying markets dynamics in the process of implementation of the envisaged Capital Market Development Project.
3. Accordingly, participants are required to report all 'G-Sec Trades' (proprietary trades, client trades, repurchase trades, outright trades) with the '**Settlement Confirmation**' of the same (settled trades, on settlement date) on daily basis (by 2100 hrs) through FInNet system.
4. Refer **Annexure** for the reporting instructions and the '*Instruction Guide*' in FInNet for operational instructions in detail.
5. Subject to (1) above, any requirement for improvement or development in FInNet reporting by a participant, if any, will be accommodated **until 15.04.2021** and suitable technical assistance will be provided during the period 01.04.2021 to 15.04.2021 on need basis.

M Z M Aazim

Superintendent Public Debt

Annexure

Location: FlinNet System → Daily Returns → LSD

LSD-DF-01-TRD: Trades (Outright/ Repurchase /Reverse Repurchase)

- Report to be submitted on the trade agreement date
- ISIN allocation or trade confirmation are not expected for this return
- Report all trades

Deal/ Trade Ref. No.	Trade Type	Trade Date	Settlement Date	Security Credit Party			Security Debit Party			Return/ Maturity Amount (Rs.)	Return/ Maturity Date	Yield / Interest Rate	Clean Price
				Destination BIC Code	Destination Account	Destination Beneficial Owner Code	Source BIC Code	Source Account	Source Beneficial Owner Code				
	Ex; AR												

* Proprietary/
Client (A/ B) &
Repurchase/
Outright (R/O)

- *. Proprietary transactions – Security movements effected on participant's own account for the purposes of investment, trading or funding arrangements of the participant.
- *. Client transactions – Security movements effected on behalf of the customers, which are not carried out for the purposes of investment, trading or funding arrangements of the participant (services provided by the Participants to the customers as an Agency function or in the capacity of Custodial role shall be covered under this category).

LSD-DF-02-STR: Settled Transactions (Outright/Repurchase /Reverse Repurchase)

- Report on the Settlement date (actual settlement date).
- ISIN allocation and correct reporting of settlement values against each ISIN is required in this return.
- Report all settled transactions (in case the Repurchase transactions both Leg 1 and Leg 2 to be reported as the settlement of each Leg occurs).

Deal/ Trade Ref. No.	Corresponding TRN in LankaSecure	Destination BIC Code	Source BIC Code	ISIN	Quantity	Settlement Amount against each ISIN (Rs.)

Following field formats to be followed in both the returns **LSD-DF-01-TRD** and **LSD-DF-02-STR**;

- a. Date Format : DD-MMM-YYYY (26-Mar-2021) or " " if not applicable
- b. Amounts : Number/ Value or '0' if not applicable
- c. BIC codes : 11 character code
- d. If Trade Type = 'AO' or 'BO', Return Date and Return amount should be empty
- e. Settlement Date should be greater than or equal to Trade Date
- f. Return Date should be greater than Settlement Date
- g. Any row containing data should be completed with all relevant information according to these instruction (specifically, the trade information to be reported as one trade record, not ISIN allocations details if multiple ISINs are used).

FlinNet System validates the returns for acceptance or rejection of a return based on the field formats. For detailed instructions refer the 'Instruction Guide' provided in FlinNet.

Ref. No.: 08/21/005/012/007

DIRECTIONS ON PRIMARY ISSUANCE OF TREASURY BONDS

The following amendments to the Directions on Primary Issuance of Treasury Bonds dated 24.07.2017 and as amended dated 09.07.2019, issued in terms of Regulation 11(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009 dated 24 June 2009 made by the Minister of Finance under the Registered Stock and Securities Ordinance No. 7 of 1937, shall be in force from 23.09.2021.

8.6 Phase III Issuance of the remaining volume (the difference between announced amount and aggregate allocated amount under Phase I and Phase II for applicable series), if any, on a mandatory basis at WAYR among PDs based on each such PD's successful participation at Phases I and II. However, this phase will not be executed unless CBSL accepts 80% of the offered amount in minimum at Phase I. Issuance under this phase will be limited to PDs. This phase will be executed only for T-bonds offered with a remaining maturity of 5 years or below.

11.1 If the entire amount tendered at the issuance is not fully issued under Phase I and Phase II of the issuance process, for T-bond series offered with a remaining maturity of 5 years or below, Phase III is expected to execute electronically soon after the end of Phase II around 1430 hrs of the auction day, provided 80% of the offered amount in minimum is accepted at Phase I. Phase III will not be executed for T-bonds offered with a remaining maturity of more than 5 years.

Colombo
Date 23.09.2021

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002

20 January 2021

Payment and Settlement Systems Circular No. 01 of 2021

To : All Participants of LankaSettle System

AMENDMENT TO THE DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

A new settlement cycle (cycle 5) will be implemented for CEFTS, CAS and CPS systems (at 1545 hrs.) starting from 01.02.2021. LankaClear (Pvt) Ltd will make the net positions of cycle 5 of the above three systems available to all Participants by 1515 hrs.

Accordingly, the following Daily Operating Schedule will be followed from 01.02.2021.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo/Long Term LSF Auction.
0845 hrs.	Primary Auction Issuance (when applicable)	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1

1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos / Long Term LSF (Auction)	Settlement of first leg of Long Term Reverse Repos/ Long Term LSF under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1530 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1530 hrs.
1545 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 5
1545 hrs.	MLNS Batch from LankaClear	CAS Cycle 5
1545 hrs.	MLNS Batch from LankaClear	CPS Cycle 5
1545 hrs..	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1545 hrs.
1600 hrs.	SDF	Settlement of first leg of SDF
1615 hrs.	SLF	Settlement of first leg of SLF.
1615 hrs.	ILF Repayment	Repayment of ILF.
1630 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1630 hrs. to 1700 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1700 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002

27 April 2021

Payment and Settlement Systems Circular No. 02 of 2021

To : All Participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM TO BE FOLLOWED ON 30.04.2021

Since 30.04.2021 has been declared as a special half-a-day bank holiday in lieu of the May Day which falls on a Saturday, The Central Bank of Sri Lanka has decided to restrict the business hours of the LankaSettle system on 30.04.2021 as per the following operating schedule.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0845 hrs.	Primary Auction Issuance (when applicable)	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1400 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1415 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1430 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1430 hrs.
1435 hrs..	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1435 hrs.
1445 hrs.	ILF Repayment	Repayment of ILF.
1500 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1500 hrs. to 1515 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.

1515 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.
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Settlement of Cycles 4 and 5 of CAS, CEFTS and CPS (on 30.04.2021) will take place at 0830 hrs. on the next business day (03.05.2021).

SLIPS Cycle 3 of 30.04.2021 will be cancelled.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002
Payment and Settlement Systems Circular No. 03 of 2021

10 May 2021

To : All participants of LankaSettle System

**SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM
FOR 11.05.2021, 12.05.2021 AND 13.05.2021**

The following daily operating schedule will be followed during 11.05.2021 to 13.05.2021.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 & 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 & 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 & 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO

1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1330 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1335 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1335 hrs.
1345 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1345 hrs.
1350 hrs.	SDF	Settlement of first leg of SDF
1355 hrs.	SLF	Settlement of first leg of SLF.
1400 hrs.	ILF Repayment	Repayment of ILF.
1410 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1410 hrs. to 1420 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1420 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

SLIPS cycle 3 of 11.05.2021, 12.05.2021 and 13.05.2021 will be cancelled.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

Ref. 34/07/029/0001/002

15 May 2021

Payment and Settlement Systems Circular No. 04 of 2021

To: All participants of LankaSettle System

RESTRICTION OF OPERATIONAL HOURS OF THE LANKASETTLE SYSTEM FROM 17.05.2021

Due to the prevailing Covid-19 related situation in the country, the Central Bank of Sri Lanka has decided to restrict the operational hours of the LankaSettle system.

Accordingly, the following daily operating schedule will be followed from 17.05.2021 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.

0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 & 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 & 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 & 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO
1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1330 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1340 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1340 hrs.
1345 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1345 hrs.
1350 hrs.	SDF	Settlement of first leg of SDF
1355 hrs.	SLF	Settlement of first leg of SLF.

1400 hrs.	ILF Repayment	Repayment of ILF.
1410 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1410 hrs. to 1420 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1420 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

SLIPS cycle 3 will be cancelled during the period where the above restricted operating schedule is in effect.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

Ref. 34/07/029/0001/002

19 May 2021

Payment and Settlement Systems Circular No. 05 of 2021

To : All Participants of LankaSettle System

AMENDMENT TO THE DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM

The following Daily Operating Schedule will be followed from 20.05.2021 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo/Long Term LSF Auction.
0845 hrs.	Primary Auction Issuance (when applicable)	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.

1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos / Long Term LSF (Auction)	Settlement of first leg of Long Term Reverse Repos/ Long Term LSF under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1500 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1500 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1510 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1510 hrs.
1515 hrs..	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1515 hrs.
1525 hrs.	SDF	Settlement of first leg of SDF
1535 hrs.	SLF	Settlement of first leg of SLF.
1545 hrs.	ILF Repayment	Repayment of ILF.
1600 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1600 hrs. to 1615 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1615 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. 34/07/029/0001/002

25 May 2021

Payment and Settlement Systems Circular No. 06 of 2021

To : All participants of LankaSettle System

RESTRICTION OF OPERATIONAL HOURS OF THE LANKASETTLE SYSTEM FROM 28.05.2021

Due to the prevailing Covid-19 related situation in the country, the Central Bank of Sri Lanka has decided to restrict the operational hours of the LankaSettle system.

Accordingly, the following daily operating schedule will be followed from 28.05.2021 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	Main Clearing of CITS. SLIPS Cycle 1
0830 hrs.	Primary Auction Issuance (where applicable), Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction (where applicable). Settlement OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long-Term Repo Auction.
0845 hrs.	Multilateral Net Settlement Batch from LankaClear	Common ATM Switch (CAS) Cycle 4 & 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 4 & 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	Multilateral Net Settlement Batch from LankaClear	Common POS Switch (CPS) Cycle 4 & 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1000 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1000 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	Closure of Primary Auction Settlement (where applicable)	Settlement of securities under Primary Auction
1100 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 2
1115 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 2
1145 hrs.	Long Term Reverse Repos (Auction)	Settlement of First leg of Term Reverse Repo under OMO
1230 hrs.	MLNS batch from LankaClear	Common ATM switch (CAS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 3
1230 hrs.	MLNS batch from LankaClear	Common POS switch (CPS) Cycle 3
1245 hrs.	Short Term Repos/ Reverse Repo (Auction)	Settlement of First leg of short-term Repos/ Reverse Repos under OMO
1245 hrs.	LSF (Auction)	Settlement of First leg of LSF under OMO

1300 hrs.	MLNS batch from LankaClear	SLIPS Cycle 2
1330 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1330 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favor of third parties, except for bank-to-bank (MT2XX) series.
1340 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1340 hrs.
1345 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1345 hrs.
1350 hrs.	SDF	Settlement of first leg of SDF
1355 hrs.	SLF	Settlement of first leg of SLF.
1400 hrs.	ILF Repayment	Repayment of ILF.
1410 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1410 hrs. to 1420 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1420 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

SLIPS cycle 3 will be cancelled during the period where the above restricted operating schedule is in effect.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

Ref: 34/01/025/0038/003

10 June 2021

To : Chief Executive Officers of All Licensed Banks, Licensed Financial Companies and Licensed Operators of Mobile Phone Based e-Money Systems

ADDENDUM 3 – CIRCULAR NO. 02 OF 2019 ESTABLISHMENT OF A NATIONAL QUICK RESPONSE CODE STANDARD FOR LOCAL PAYMENTS

Reference is made to Circular No. 02 of 2019 - Establishment of a National Quick Response Code Standard for Local Payments issued on 11.03.2019, its Addendum 1 issued on 30.10.2019 and Addendum 2 issued on 27.11.2020. This document shall be read together with the above Circular and Addendums.

The reduction of MDR charges from 1% to 0.5% of the transaction amount, for the period beginning 01.01.2020 and ending 30.06.2021, shall be extended further for a period of six months for LANKAQR initiated transactions. Accordingly, the maximum MDR charges shall remain at 0.5% for the period beginning 01.07.2021 and ending in 31.12.2021.

D Kumaratunge

Director/Payments and Settlements

Ref. 34/07/029/0001/002

22 June 2021

Payment and Settlement Systems Circular No. 07 of 2021

To : All Participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM TO BE FOLLOWED ON 23.06.2021 AND 25.06.2021

The following Daily Operating Schedule will be followed on 23.06.2021 and 25.06.2021 to facilitate salary payments through SLIPS. Thereafter, the Daily Operating Schedule given in the Payments and Settlement Systems Circular No. 06 of 2021 will be continued from 28.06.2021 until further notice.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo/Long Term LSF Auction.
0845 hrs.	Primary Auction Issuance (when applicable)	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 5 (previous business day) Common ATM Switch (CAS) Cycle 1 (current business day)
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 5 (previous business day) Common Electronic Fund Transfer Switch (CEFTS) Cycle 1 (current business day)
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 5 (previous business day) Common POS Switch (CPS) Cycle 1 (current business day)
1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos / Long Term LSF (Auction)	Settlement of first leg of Long Term Reverse Repos/ Long Term LSF under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1500 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1500 hrs.	MLNS Batch from LankaClear	CPS Cycle 4

1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1515 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1515 hrs.
1525 hrs.	SDF	Settlement of first leg of SDF
1535 hrs.	SLF	Settlement of first leg of SLF.
1545 hrs.	ILF Repayment	Repayment of ILF.
1600 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.
1600 hrs. to 1615 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1615 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

D Kumaratunge

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

Ref. 34/07/029/0001/002

8 July 2021

Payment and Settlement Systems Circular No. 08 of 2021

To : All Participants of LankaSettle System

DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM FROM 12.07.2021

The following Daily Operating Schedule will be followed from 12.07.2021.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo/Long Term LSF Auction.
0845 hrs.	Primary Auction Issuance (when applicable),	Issuance of Primary Auction (when applicable)
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1

1100 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
1100 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1145 hrs.	Long Term Reverse Repos / Long Term LSF (Auction)	Settlement of first leg of Long Term Reverse Repos/ Long Term LSF under OMO.
1300 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1300 hrs.	MLNS Batch from LankaClear	CAS Cycle 3
1300 hrs.	Closure of Primary Auction Settlement/Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1315 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 3
1315 hrs.	MLNS Batch from LankaClear	CPS Cycle 3
1315 hrs.	Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Short Term Repos/Reverse Repos under OMO
1315 hrs.	Liquidity Support Facility (Auction)	Settlement of first leg of LSF under OMO
1445 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1500 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 3
1500 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1500 hrs.	MLNS Batch from LankaClear	CAS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 4
1515 hrs.	MLNS Batch from LankaClear	CPS Cycle 4
1530 hrs.	Cut-off time for standing facilities	SLF and SDF windows are closed for Participants at 1530 hrs.
1545 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 5
1545 hrs.	MLNS Batch from LankaClear	CAS Cycle 5
1545 hrs.	MLNS Batch from LankaClear	CPS Cycle 5
1545 hrs..	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1545 hrs.
1600 hrs.	SDF	Settlement of first leg of SDF
1615 hrs.	SLF	Settlement of first leg of SLF.
1615 hrs.	ILF Repayment	Repayment of ILF.
1630 hrs.	Final Cut-off Time Closure of System for business	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1630 hrs. to 1700 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1700 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system.

Requests for extension of business hours will have to be communicated before 4.00 p.m. of each business day. Requests made after 4.00 p.m. will not be accepted.

D Kumaratunge
Director/Payments and Settlements

M Z M Aazim
Superintendent/Public Debt

Ref. No.: 34/07/029/0001/002

13 September 2021

Payment and Settlement Systems Circular No. 09/2021

To: All participants of LankaSettle System

SUBJECT: NEW VERSION OF THE LANKASETTLE SYSTEM RULES - VERSION 2.2

A new version of the LankaSettle System Rules has been published by the Gazette Notification No. 2213/2 dated 01st February 2021, incorporating amendments up to 31st December 2020. It is published in the Central Bank Official Website and can be accessed through the following links.

- Sinhala
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/acts/si/psd_gazette_20210805_lankasettle_system_rules_v2.2_s.pdf
- English
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/acts/en/psd_gazette_20210805_lankasettle_system_rules_v2.2_e.pdf
- Tamil
https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/acts/ta/psd_gazette_20210805_lankasettle_system_rules_v2.2_t.pdf

Accordingly, all the Participants are hereby required to comply with the LankaSettle System Rules - Version 2.2.

D Kumaratunge
Director
Payments and Settlements Department

Ref. No.: 34/01/024/0106/06

2 December 2021

Payment and Settlement Systems Circular No. 10/2021

To: All Participants of the LankaSettle System

**LIVE OPERATIONS OF THE LANKASETTLE SYSTEM FROM THE DISASTER RECOVERY SITE (DRS)
ON 09 & 10 DECEMBER 2021**

This is to inform you that the Central Bank of Sri Lanka (CBSL) will conduct operations of the LankaSettle System (RTGS System and the LankaSecure System) and other related systems from its DRS on **09 and 10 December 2021 (Thursday & Friday)** for the purpose of testing the business continuity arrangements.

The computers of your institution which have been connected to the CBSLNet have already been configured to access the CBSL DRS. However, you are requested to contact the Information Technology (IT) Department of CBSL and test the connectivity **before 8 December 2021** to ensure the readiness. The following officer of CBSL IT Department will act as the single point of contact for IT matters during this BCP exercise.

- Mr. V Kamalnath – 011 2477 126 (kamalnath@cbsl.lk)
- Mr. G I Hettiarachchi- 011 2477 621 (gihanh@cbsl.lk)

Please instruct all operational officers of your institution to contact above officers through the nominated BCP officer of your institution.

M R Wijewardene
Director/ Payments and Settlements

CC: Director/ Information Technology- Central Bank of Sri Lanka
CEO- LankaClear Pvt. Ltd.
Secretary General – Sri Lanka Banks' Association
President- Association of Primary Dealers
CEO- Lanka Financial Services Bureau Ltd.

Ref. 34/07/029/0001/002

20 December 2021

Payment and Settlement Systems Circular No. 11 of 2021

To : All participants of LankaSettle System

SPECIAL DAILY OPERATING SCHEDULE OF THE LANKASETTLE SYSTEM FOR 24.12.2021

The following special Daily Operating Schedule will be followed on 24.12.2021 due to the special half-a-day bank holiday for Christmas day.

TIME	EVENT	ACTIVITIES /TRANSACTIONS
0630 hrs.	System start-up	Start-up of RTGS/SSS applications.
0730 hrs. to 0800 hrs.	Start of day processing	Update Official Prices of securities, earmarking securities for ILF.
0800 hrs.	LankaSettle System opens for business	System opens for effecting transactions.
0800 hrs.	ILF/Auto reversal of Repos and Standing Deposit Facility (SDF)	Grant ILF and settle second leg of Repos of OMO and SDF
0815 hrs.	Maturities/Interest payments, start of the day (SOD) file and maturities of CBSL Securities	Settlement of maturity proceeds/coupon payments of securities, effecting LankaSettle charges/penalties and maturities of CBSL Securities.
0830 hrs.	Multilateral Net Settlement (MLNS) Batch from LankaClear	SLIPS Cycle 1/Main Clearing of CITS.
0830 hrs.	Primary Auction Issuance/ Outright sales/ Purchases / Long Term Repo Auction/ Issue of Long Term CBSL Securities	Issuance of Primary Auction/ Settlement of OMO outright sales, purchases, Long Term CBSL Securities Auction and first leg of Long Term Repo Auction.
0845 hrs.	MLNS Batch from LankaClear	Common ATM Switch (CAS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common Electronic Fund Transfer Switch (CEFTS) Cycle 1
0900 hrs.	MLNS Batch from LankaClear	Common POS Switch (CPS) Cycle 1
0930 hrs.	Reversal of Reverse Repos and Standing Lending Facility (SLF)	Settlement of second leg of Reverse Repos under OMO and SLF.
0930 hrs.	Reversal of Liquidity Support Facility (LSF)	Settlement of second leg of LSF under OMO
1015 hrs.	Overnight/ Short Term Repos/Reverse Repos (Auction)	Settlement of first leg of Overnight/ Short Term Repos/Reverse Repos under OMO
1030 hrs.	Closure of Primary Auction Settlement/ Short Term CBSL Securities Auction	Settlement of securities under Primary Auction. Settlement of Short Term CBSL Securities Auction
1100 hrs.	MLNS Batch from LankaClear	CAS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CEFTS Cycle 2
1115 hrs.	MLNS Batch from LankaClear	CPS Cycle 2
1200 hrs.	MLNS Batch from LankaClear	SLIPS Cycle 2
1215 hrs.	MLNS Batch from LankaClear	Settlement Clearing and Adjustment Clearing.
1215 hrs.	Primary cut-off time for third party transactions	Close for new transactions (for T + 0) in favour of third parties, except for bank-to-bank (MT2XX series).
1220 hrs.	Cut-off time for Participant managed ILF Repo creation	Participants should not initiate ILF Repos after 1220 hrs.
1220 hrs.	Cut-off time for standing facilities	SDF and SLF windows are closed for Participants at 1220 hrs.
1235 hrs.	SDF	Settlement of first leg of SDF
1240 hrs.	SLF	Settlement of first leg of SLF.
1245 hrs.	ILF Repayment	Repayment of ILF.
1255 hrs.	Final Cut-off Time Closure of System for business	No further inputs are accepted. With the closure of system for business, queue/Settlement processing will cease and any transactions still in queues will be rejected by the system.

1255 hrs. to 1310 hrs.	EOD processing	End-of-day (EOD) processes e.g. generate reports/GL export (EOD) file, database maintenance for billing/statement printing purposes.
1310 hrs.	System shut down	Commence shutting down of RTGS/SSS application software, obtain off-line backups.

Participants are advised to monitor their settlement accounts through browser workstations and ensure sufficient funds are available in the settlement accounts at the time of settlement of Multilateral Net Settlement (MLNS) batches in the RTGS system. Cycles 3 and 4 of CEFTS, CAS and CPS (of 24.12.2021), will be settled at 0830 hrs. on the next business day (27.12.2021) SLIPS Cycle 3 of 24.12.2021 will be cancelled.

M R Wijewardene

Director/Payments and Settlements

M Z M Aazim

Superintendent/Public Debt

Ref. No.: 34/01/025/0038/003

27 December 2021

To: Chief Executive Officers of All Licensed Banks, Licensed Financial Companies and Licensed Operators of Mobile Phone Based e-Money Systems

ADDENDUM 4 – CIRCULAR NO. 02 OF 2019 ESTABLISHMENT OF A NATIONAL QUICK RESPONSE CODE STANDARD FOR LOCAL PAYMENTS

Reference is made to Circular No. 02 - Establishment of a National Quick Response Code Standard for Local Payments issued on 11.03.2019, its Addendum 1 issued on 30.10.2019, Addendum 2 issued on 27.11.2020 and Addendum 3 issued on 10.06.2021. This document shall be read together with the above Circular and Addendums.

The reduction of MDR from 1% to 0.5% of the transaction amount, to be expired on 31.12.2021, shall be extended until further notice for LANKAQR initiated transactions. Accordingly, the maximum MDR shall remain at 0.5% of the transaction amount.

M R Wijewardene

Director/ Payments and Settlements

Ref. No.: 32/04/034/0001/001

24 March 2021

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/Madam,

SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.

Having identified the challenges faced by the businesses and individuals engaged in the tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka decided to extend the grace period up to 30 September 2021 and the repayment period up to 36 months only for the working capital loans granted to the businesses and individuals in the tourism industry, under the Saubagya Covid 19 Renaissance Facility Phase I, II and III.

Businesses and individuals registered with following institutions are eligible to obtain this extension of concessions.

- i. Ministry of Tourism
- ii. Sri Lanka Tourism Development Authority
- iii. Agencies under Sri Lanka Tourism Development Authority
- iv. Department of Cultural Affairs
- v. The Hotels Association of Sri Lanka

Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIs on or before 23 April 2021.

Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format to the Director of Regional Development Department by 7 May 2021.

Your cooperation in this regard is highly appreciated.

Yours faithfully,

B L J S Balasooriya

Director

Regional Development Department

**“SAUBAGYA COVID-19 RENAISSANCE FACILITY”
PHASE * :**

DETAILS OF EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.

Name of the PFI:

CBSL Registration No.	Date Disbursed	Name of the Borrower	NIC/BR No.	Loan Amount (Rs.)	Grace Period			Repayment Period		Institution Registered to be Eligible **
					Existing (No. of months)	Requested (No. of months)	Ending date	Original (No. of months)	Requested (No. of months)	

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(Name, Signature and Stamp of the Authorised Officer)

Date

*provide separate sheets for each Phases of the Scheme

**Specify the institute

Operating Instructions No: RDD/NCRCS/2011/2021/01

Regional Development Department
Central Bank of Sri Lanka
P.O. Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
05 April 2021

To: All Participating Financial Institutions

AMENDMENT TO THE OPERATING INSTRUCTIONS OF NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS) – ‘SARUSARA’ CREDIT GUARANTEE AND INTEREST SUBSIDY SCHEME

This amendment is issued further to the Operating Instructions (OIs) No: RDD/NCRCS/2011 dated 23.09.2011 and subsequent amendments on 10.01.2013, 06.06.2014, 06.07.2015, 22.08.2016 and 08.04.2020 issued by the Director, Regional Development Department (DRD) of the Central Bank of Sri Lanka (CBSL) to all Participatory Financial Institutions (PFIs) for smooth implementation of New Comprehensive Rural Credit Scheme (NCRCS) “Sarusara” (herein after referred to as “the Scheme”), to accommodate working capital requirements of micro and small scale farmers who engage in cultivating short term crops including home gardening and warehouse receipt financing.

1. Introduction

- 1.1 With a view to maintain smooth functioning of the Scheme throughout the year the DRD intends to issue this OIs with the collaboration of Ministry of Finance of the Government of Sri Lanka (GOSL).
- 1.2 The Scheme has been introduced with the primary objective of uplifting the socio economic conditions of micro and small scale farmers who engage in cultivating short term crops including home gardening by providing low cost of funding to fulfill the working capital requirements and warehouse receipt financing. The Scheme is expected to reduce the cost of borrowing of small scale farmers, provide roll over facility in the event of occurring a natural calamity or other disasters and guarantee a portion of loans and thus share a portion of default risk.
- 1.3 The scheme will be operated by the Regional Development Department (RDD) of the CBSL on behalf of the GOSL as an interest subsidy and credit guarantee scheme. The funds for the scheme will be made available by the GOSL out of the budgetary allocations yearly.
- 1.4 PFIs are expected to utilize their own funds to grant loans under the scheme and GOSL will provide an interest subsidy for each sub loan to cover the cost of funds of the PFI and provide credit guarantee as a risk sharing tool, against loans granted under the Scheme.
- 1.5 The PFIs are eligible to claim interest subsidy and credit guarantee from CBSL for the loans granted to the small scale farmers under the Scheme.
- 1.6 The DRD is empowered with the authority to operate the Scheme.

2. Objectives of the Scheme

- 2.1 Provide working capital requirements of micro and small-scale farmers for cultivating short term crops and their nurseries including home gardening and warehouse receipt financing.
- 2.2 Promote financial inclusiveness among farmer communities
- 2.3 Promote/develop domestic agriculture sector in the country
- 2.4 Enhance income generating activities and living standards of micro and small scale farmers
- 2.5 Reduce regional disparity and rural poverty

3. Source of Fund

The Scheme will be funded by the GOSL

4. Participatory Financial Institutions (PFIs)

Following PFIs operating in Sri Lanka eligible to receive the facilities of NCRCS, provided that they participate in the scheme;

Bank of Ceylon, Commercial Bank of Ceylon PLC, Cargills Bank Limited, DFCC Bank PLC, Hatton National Bank PLC, Housing Development Finance Corporation Bank, National Development Bank PLC, People’s Bank, Pradeshiya Sanwardhana Bank, Sampath Bank PLC, Sanasa Development Bank Limited, Seylan Bank PLC and Union Bank of Colombo PLC.

5. General features of the Scheme

5.1 Eligibility Criteria for Borrower	The borrower shall be eligible for the Scheme subject to the following conditions;; (i) Borrower should be a farmer (ii) Loans under this scheme may grant to a farmer (I) with land ownership (II) with lease ownership (III) a tenant farmers (IV) a farmer without land ownership but with government license, permit etc. (V) a farmer not having a land, but have obtained the rights and authority from the land owner to cultivate for a particular time period (iii) The borrower must not be a defaulter in respect of a loan, borrowed from any financial institutions (iv) To obtain a loan by a borrower who is 65 years or above, a family member (spouse, daughter or son over 18 years) should be enrolled with the borrowers as a co-borrower
5.2 Eligible Activities	(i) Cultivation of Short Term Crops and their nurseries (Annexure I) (ii) Home Gardening (iii) Warehouse Receipt Financing
5.3 Scale of Finance	(i) Maximum of Rs. 504,000 per borrower. The applicable scales of finance are attached at Annexure II (ii) Maximum of Rs. 40,000 for home gardening (iii) Eligible borrowers may obtain the credit facility from the PFI throughout the year based on the crop cultivation pattern
5.4 Interest Rate applicable to borrower	(i) Four per centum per annum (4% p.a) (ii) PFIs shall not, in any circumstance, grant any loan under the scheme to a borrower at a rate higher than four per cent per annum (4% p.a)
5.5 Interest Subsidy	(i) GOSL provides Interest Subsidy of five per cent per annum (5% p.a) for each loan granted by the PFI, through CBSL
5.6 Repayment Period	(i) Maximum duration of loan repayment is 270 days except the Sugarcane. 365 days for sugarcane. No grace period and one off payment
5.7 Extent of Guarantee Cover	(i) The scheme provides a guarantee cover of 60 per cent of the principle amount in loss or the amount guaranteed whichever is lower
5.8 Guarantee Premium	(i) The premium is payable to the CBSL at the rate of half (1/2) per cent on each cultivation loan released under the Scheme subject to 5.3 above
5.9 Post Claims	(i) Any amount recovered by the PFI from a borrower, after settlement of a claim by CBSL shall share with the CBSL at the proportion of 60:40
5.10 Collateral	(i) The PFIs are advised to grant loans considering viability of farmer activities rather than collateral. (ii) The PFIs are advised to obtain only inter-se or personal guarantee

6. Scale of Finance

- 6.1 The scales have been prepared on the basis of prevailing cost of cultivation. CBSL will communicate the scales of finance for each crop determined by the Department of Agriculture, to the Head Offices of PFIs at the beginning of each cultivation season.
- 6.2 The facilities under the scheme are provided in accordance with the land extent mentioned in the scales of finance. A PFI can grant a loan facility exceeding the extent mentioned, at commercial rates for which (the excess amount) interest subsidy will not be granted.
- 6.3 The amount of the loan shall not exceed 75 per cent of the total cost of the cultivation. The farmer should contribute minimum amount of 25 per cent of the total estimated cost of cultivation in cash or kind.
- 6.4 CBSL, in consultation with Department of Agriculture and other relevant institutions, reserve the rights to make changes in scales of finance from time to time.

7. Payment of Interest Subsidy

The GOSL will provide an interest subsidy at a rate determined by GOSL to PFIs for loans advanced by them out of their own resources as mentioned in the scales of finance. The PFIs, in order to qualify for this subsidy are required to grant loans to farmers at the interest rate determined by CBSL.

7.1 The interest subsidy payments will be made in two stages i.e. an advance payment and a final payment.

7.1.1 The advance payment will be calculated for a period of 90 days as per section 5.5 above on the amount sanctioned. For this purpose, PFIs should submit duly completed Annexure IV RDD/NCRCS/IS/1 within the stipulated time period given in Annexure III.

7.1.2 The final payment will be made after reporting of recovery dates by the PFI for the balance period subject to maximum of 180 days, as the case may be, if the loan in question has not been recovered even after the period of 270 days. For this purpose, the format RDD/NCRCS/IS/2 (given in Annexure V), will be forwarded to the PFIs to enable them to report the amount granted, date and amount of recoveries of cultivation loans.

7.2 In a case where granted loan amount to a borrower is higher than sanctioned amount, interest subsidy will be provided for the sanctioned amount and if granted amount is less than the sanctioned amount then interest subsidy will be provided for the amount granted only.

7.3 PFIs are required to use the formats RDD/NCRCS/IS/1 (Annexure IV) and RDD/NCRCS/IS/2 (Annexure V) to claim interest subsidy advance payment and interest subsidy final payment, respectively, from CBSL. The RDD will send prescribed forms for these purposes to Head Offices of all PFIs.

7.4 The Head Office of the PFI should summaries the branch-wise information and submit to RDD along with the interest subsidy applications (RDD/NCRCS/IS/1 and RDD/NCRCS/IS/2 Annexure IV & V).

7.5 The Head Offices of the PFIs are requested to submit interest subsidy claims (both soft copies and hard copies) along with the eligible premium to CBSL on or before the due date/ within stipulated period given in Annexure IV

7.6 the hard copy of the interest subsidy claim application should reach Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01 through the respective Head Office of PFI.

7.7 Once all application of PFIs are received to CBSL within the given time period, claim verification will be processed by RDD and forwards to GOSL requesting applicable interest subsidy claims for each PFIs under the Scheme half yearly and will be settled the claims after receiving due amounts from the GOSL.

8. Defaulted Loans

At the end of the cultivation period branch manager should classify the defaulted farmer into two categories; i.e., a Willful Defaulter and a Non-willful Defaulter. The classification should be made on the basis of information available to the branch manager through the field officers.

8.1 Willful Defaulter

in terms of available information, the officer of the branch/field officer observe that the borrower had a good harvest but has failed settling his obligations to the PFI, such borrowers should be classified as a willful defaulter.

8.2 Non-willful Defaulter

If a borrower has experienced difficulty in meeting his obligations to the PFI due to crop damaged by natural calamity such as floods, drought or pests or other specific reason that is beyond the control of a borrower and accepted by CBSL, such borrowers should be classified as a non-willful defaulter.

9. Recoveries

9.1 The procedure for the recovery actions in the case of these two categories are as stated in section 9.2, 9.3 and 9.4.

9.1.1 Immediate action should be taken to recover the dues from defaulters through legal actions. A set of legal actions that can be taken is given in Section 10.

9.2 In the case of non-willful defaulters, the PFI should establish the personal contacts with the borrower and offer the rescheduling facility, as mentioned in Section 14 of this OIs, to the borrower and follow up regularly until recoveries are fully settled by the borrower.

9.3 It is expected that PFIs take prompt and effective actions for the recovery of any overdue amount in all possible ways. The CBSL expects the PFI to be active in the recovery of loans even after submission of a claim, and even after the receipt of credit guarantee from CBSL. Thus, the PFI is obliged to carry out any action that may be suggested by CBSL.

- 9.4 When a loan is in arrears, the Branch Manager of PFI should take immediate recovery actions with a view to persuade the borrower to repay the loan promptly. The actions that can be followed under the scheme are as follows:
- (i) Visit the borrower (minimum of 2 visits) to ascertain the reasons for the non-payments and persuade him to repay the dues.
 - (ii) Ascertain and examine the difficulties faced by the borrower and recommend to the borrower a course of actions to be followed by him to overcome such difficulties.
 - (iii) Where the difficulties are bona fide and beyond the control of the farmer, reschedule the loan and give the borrower a new repayment plan considering the income pattern of the borrower;
 - (iv) In the case of a willful borrower, issue a notice of demand on the borrower and the guarantors.
 - (v) Where it is found that the loan proceeds have been misused, the notice of demand should be issued forthwith and steps should be taken immediately to institute legal action against such borrowers.

10. Legal Action

- 10.1 If the PFI fails to collect the dues from defaulters even after taking the recovery steps mentioned in Section 9.3, such cases should be referred to a Mediation Board initially and within 6 – 9 months from the due date of first installment in arrears.
- 10.2 When defaulters do not come into a settlement, PFI should file cases against such defaulters in an appropriate Court within 9 - 12 months from the due date of first installment in arrears.

11. Credit Guarantee Settlement

In terms of Section 108A of the Monetary Law Act (Chapter 422), the CBSL will provide guarantees to PFIs under the Scheme in respect of loans granted for the purposes given in Annexure I. CBSL provides credit guarantee as a facilitation for the liquidity shortages that arise due to the non-payment of expected loan repayment installments and hence the PFIs should remit such credit guarantee settlement received to the CBSL, once they recovered dues from defaulters.

- 11.1 DRD has been empowered with the authority to collect premium, receive government contributions, invest surplus funds, pay out guarantee claims and recall for the recoveries after the settlement of claims etc.

11.2 Eligible Loans

For the purpose of this scheme, all loans granted under the Scheme are eligible for the guarantee cover. A guarantee cover under this scheme is sought for a loan where,

- 11.2.1 Granted for the purposes given in Annexure I.
- 11.2.2 The amount of the loan should be within the scales of finance given in Annexure II.
- 11.2.3 Premium has been paid to CBSL within the given time period.

11.3 Disqualifications for Guarantee Cover

- 11.3.1 Any loan for which the PFI has obtained a guarantee of the government or any government institution including insurance covers
- 11.3.2 The loans for which credit guarantee premium has not been paid to CBSL within the given time period

11.4 Extent of Guarantee

- 11.4.1 The scheme provides a guarantee cover of 60 per cent of the capital outstanding in loss or of the amount guaranteed whichever is lower. The credit guarantee claims will be paid in two installments.
- 11.4.2 The first installment of 75% of the claim will be paid on the receipt of application and the balance 25% will be paid once the PFI taking legal action against the defaulted borrower and notified the Court Case number to RDD.

11.5 Premium

- 11.5.1 The Premium is payable to the CBSL at the rate of half ($\frac{1}{2}$) per cent on each cultivation loan released by the PFI under the Scheme. There is no separate application for the guarantee, and therefore the premium should be paid with application for interest subsidy, and it should be calculated on the total loan amount eligible under the scheme, as per the scales of finance given at Annexure II.
- 11.5.2 PFIs are required to pay premium for the relevant season through the respective Head Office. Remittance of the premium shall be by way of a cheque, drawn in favour of "Director, Regional Development Department,

Central Bank of Sri Lanka" and or to RTGS to RDD Bank Account No. 2-54518, with relevant soft copies and hard copies of interest subsidy applications within the stipulated time period. However, the interest subsidy applications received without the premia are not eligible to claim interest subsidy or obtain guarantee cover under the Scheme.

- 11.5.3 The premium for the credit guarantee should be borne by the PFI and should not be passed on to the borrower.
- 11.5.4 The guarantee will become effective upon realization of the cheque or on the date of receipt of RTGS payment. The CBSL will not issue a separate guarantee cover note for each set of applications submitted.

11.6 Claims

- 11.6.1 Where any amount, as defined for the purpose of this guarantee, is in loss, the PFI should submit a claim to the DRD, through its Head Office on the form given in Annexure VI (RDD/NCRCS/CG/1). The RDD will send these forms to Head Offices of all PFIs as mentioned in Time Schedule.
- 11.6.2 A loan under the scheme is deemed to be in loss after completion of the following steps;
- (a) Where the PFI has exhausted all the means available to recover the loan such as visiting the borrower to persuade borrower to repay the loan, invoking the assistance of guarantors where such guarantees have been taken and upon the issue of a demand notice to the borrower, the loan will be deemed to be in loss. A minimum of two visits to the borrower must be undertaken before submitting a claim to the CBSL. The records of such visits must be made available to officers of the CBSL during inspection of PFIs on the Scheme. The PFI should serve the notice of demand on the borrower and guarantors, where applicable.
 - (b) If PFI does observe considerable progress from actions mentioned in above 11.6.2 (a), the PFI is required to refer such cases to the Mediation Board as stipulated in the Section 10.1.
- 11.6.3 Accordingly, PFI should follow above steps and initiate appropriate legal action at the stipulated time period, so that at the date of sending the credit guarantee claim applications for the 1st installment as per Annexure VI; (RDD/NCRCS/CG/1) the cases against the defaulters should have already been referred to a Mediation Board.
- 11.6.4 PFIs do not have authority to write off the loans for which credit guarantee has been paid under any circumstances, without prior approval of the CBSL. The PFI should take all reasonable efforts to recover the loans even after receiving the credit guarantee claims by CBSL.
- 11.6.5 In the case of a loan that is rescheduled and where the borrower fails to fulfill his obligations on the rescheduled loan, steps given at section 11.6.2 will have to be followed before a loan is considered to be in loss and a claim could be submitted.
- 11.6.6 On receipt of the claim form RDD/NCRCS/CG/1, the CBSL will pay 75 per cent of the CBSL liability subject to the right of recalling same, if it is found later that the branch had failed to exercise necessary supervision as required or PFI has recovered the dues later and not informed CBSL.
- 11.6.7 The balance 25 per cent of the claim will be paid once the PFI furnishes the RDD/NCRCS/CG/2 (Annexure VII) forms to the CBSL together with the Court Case numbers, arising from the legal action. The RDD will send the prescribed form (RDD/NCRCS/CG/2) for this purpose to Head Offices of all PFIs within six months from the first payment at 11.6.6 above, and the PFIs are requested to submit the remaining claims with the Court Case numbers arising from legal action.
- 11.6.8 CBSL reserves the rights to recall any amount paid as credit guarantee 1st installment if the PFI does not furnishes the Court Case Numbers with the claim form RDD/ NCRCS/CG/2 for the 2nd installment.

11.7 Computation of Loss and Claims

For the purpose of computing the amount in loss, the capital outstanding as described in Section 11.4.1, is taken into consideration.

12. Roles and Responsibilities of PFIs

The PFI may carry out the following roles and responsibilities in order to qualify for the Scheme;

- 12.1 Grant loan facilities using PFIs' own funds while, complying the terms and conditions of the scheme.
- 12.2 Grant loans only for the purposes given in Annexure I.

- 12.3 Charge an interest rate determined in this OIs from the borrower (currently 4 per cent per annum) from the borrowers.
- 12.4 The PFI responsible in identifying the genuine farmers as the eligible borrowers under the Scheme to consider granting loans. Branch Managers of PFIs , through the field officers, should get a confirmation on whether the borrower is a genuine farmer or not.
- 12.5 PFI is further responsible in confirming the availability of required resources for the cultivation such as suitability of land, availability of water, agricultural potential etc., actual requirements of the borrower and the repayment capacity of the borrower when granting a loan.
- 12.6 PFI may draw a Demand Promissory note from the borrower, assign crop insurance policy where applicable and inter-se guarantee of two others non-defaulting farmers.
- 12.7 Release of a loan should be in stages, to coincide with the requirements during various stages in the agricultural operations of the borrower. Loan may be disbursed in three or more installments in the manner where each installment shall be released after verifying the utilization of the previous installments for the purpose thereon.
- 12.8 PFIs are responsible in
 - 12.8.1 paying premium at the given time period to the CBSL
 - 12.8.2 Furnishing required data and information related to interest subsidy, credit guarantee and post claims. Remitting post claim recoveries to CBSL in the relevant formats, through the respective head offices on or before the closing dates. The time period for submission of such information are mentioned in the Time Schedule attached at Annexure III.
- 12.9 The interest subsidy applications, credit guarantee applications and the premium payments made after the closing dates will be automatically rejected.
- 12.10 PFIs should perform pre and post-supervision activities for the loans granted for the borrowers. It is an obligation of the PFI to
 - 12.10.1 Observe normal care and prudence in disbursing the loans to the borrowers and to take all reasonable steps to ensure that the loans are utilized for the purposes for which they have been granted.
 - 12.10.2 Take all possible means and ways to recover the dues. PFIs are advised to carry out recovery actions during the harvesting period.
- 12.11 Where there is evidence that the PFI has willfully neglected to take adequate steps to ensure proper supervision, care and prudence in lending resulting in fictitious loans, mis-utilization of loans by the borrowers or where there is evidence of any misdemeanor committed by the PFI in the loan released by the PFI, the CBSL will deny liability and where a claim has been admitted, reserves the right to recall any sums paid on a claim to a PFI.

13. Responsibilities of CBSL

CBSL will perform the following functions in its capacity as the implementing agency to ensure the successful implementation of the scheme;

- 13.1 CBSL, on behalf of the GOSL will carry out the monitoring and evaluating process of the scheme and implement the necessary policy actions as an when required.
- 13.2 CBSL reserves rights to carry out field inspection, visit PFIs and inspect the ledgers and books etc. and any other supervisory action where deemed to be necessary.
- 13.3 CBSL will forecast the budgetary allocations for the interest subsidy and credit guarantee payments for the current year and forward them to GOSL for the approval.
- 13.4 CBSL will calculate and recommend the interest subsidy payable to PFIs and forward such information to the GOSL.
- 13.5 CBSL will provide a credit guarantee to PFIs in respect of defaults by willful defaulters, subject to the availability of funds from GOSL.
- 13.6 When loans are granted to one farmer borrower for more than one crop, the CBSL reserves the rights to decide the maximum eligible loan amount.
- 13.7 Where there is a change in the OIs, scale of finance or any other information, CBSL will communicate such changes to the Head Offices of PFIs.

14 Rescheduling the Loans of Non-willful Defaulters

- 14.1 As per the rescheduling programme introduced by the CBSL, the facility of rescheduling the loans in arrears, is available to PFIs in respect of loans granted to borrowers whose crops have failed owing to the factors beyond their control such as floods, drought, pests, natural calamities and other reasons accepted by CBSL. The area affected and the extent of damage caused to the crops or to the expected yield are determined and assessed by a committee set up in the respective area.
- 14.2 The committee responsible for determining the rescheduling in each district will consist of the following officers;
- Area Manager – Bank of Ceylon
 - Regional Manager – People’s Bank
 - Deputy General Manager – Pradeshiya Sanwardena Bank
 - Senior Officer representing other PFIs - from the PFI which had granted a larger volume of loans in the affected area (other than above three)
 - Provincial Manager of the respective province – Central Bank of Sri Lanka
 - Authorised officer of Insurance Board

Further, the Committee is empowered to obtain recommendations from the relevant Agricultural Officers or any other officers. The committee will determine the extent of damage caused to the crop or to the expected yield and will report to CBSL. The CBSL will accept the findings of the Committee as final.

- 14.3 The respective Committee referred to in Section 14.2 above is expected to complete the work of determining areas affected by such factors within a maximum period of one month to permit the affected borrowers to make use of the rescheduling facility as well as obtaining fresh loans to farmer.
- 14.4 The Committee should also decide whether the extent of crop loss is total or of a sufficient magnitude to relax the requirement of 10 per cent down payment required to be paid by the borrower at the time of rescheduling.
- 14.5 A borrower who is accepted by the CBSL as a non-willful defaulter as per Section 14.1 referred to above, is eligible for the following concessions;
- A minimum of 10% or more of the loan amount should be deposited with the PFI by the borrower concerned subject to above 14.4.
 - The facility of rescheduling the loan in arrears over a period of 4 successive cropping seasons or over a period of 36 months in the manner described in Section 14.6 below.
 - Get of a fresh cultivation loan for the forthcoming season considering the borrower’s repayment capacity.
 - No penal rate of interest would be charged on the loan in arrears.
 - An interest rate determined in this OIs to be charged from borrowers on the rescheduled loans.
- 14.6 Applications for interest subsidy in respect of the loans rescheduled as per the terms and conditions referred to above, should be made on format RDD/NCRCs/RES/1 (Annexure VIII). The PFI is required to take Demand Promissory Note from the borrower concerned for the rescheduled loan covering a period of 36 months.
- 14.7 The loans in arrears will be rescheduled as a medium term loan for a period of 4 successive cropping seasons or over a period of 36 months. The rate of interest subsidy payable for such rescheduled facility will be the prevailing interest rate determined by GOSL.
- 14.8 Recoveries made during the successive cultivation period in respect of the rescheduled loans should be reported to the CBSL. Where a borrower repays the rescheduled loan in full before the expiry of the period of 36 months, such recoveries should be reported to the CBSL.
- 14.9 If the loan installments are being regularly repaid after the loan has been rescheduled, the loan balance outstanding as at the end of the relevant cultivation season should be shown in column 5 of the Form No. RDD/NCRCs/RES/1.
- Example: If the rescheduled loan amount is Rs.10,000/-, the loan balance outstanding as at the end of the first cultivation season will be Rs.7,500/-, second cultivation season will be Rs. 5,000/- third cultivation season will be Rs. 2,500/- respectively.
- 14.10 PFIs are strictly advised not to submit the applications for the benefits available under the rescheduling facility without extending the benefits of rescheduled loans to the borrowers.

14.11 The interest subsidy payments in respect of the rescheduled loans will be made as follows;

- (a) The payment of interest subsidy will be made in accordance with the balance payable after deducting the due amount to be paid at the end of every cultivation season or the balance remaining after deducting the loan installment whichever is lower.
- (b) The payment of interest subsidy in respect of the rescheduled loans will be limited to a maximum period of 36 months. The length of a cropping period is considered as 270 days.

14.12 The duly completed applications in respect of the rescheduled loans should be submitted through the Head Office of the PFI concerned, to the Director, Regional Development Department, Central Bank of Sri Lanka, Colombo 1.

14.13 The CBSL will accept the applications for rescheduling of the loans during following periods;

1st period	-	1st May to 30th June
2nd Period	-	1st November to 31st December

15 Post Claims Settlement

15.1 All amounts recovered by the PFI from the borrowers, after settlement of claims by CBSL should be shared between the CBSL and the PFI in the proportion of 60:40. The PFI should pass on to the CBSL 60 per cent of any recoveries made after the settlement of a claim. For this purpose, the PFI advised to use AnnexureX RDD/NCRCS/PC/1.

- a. The guarantee claims as per Annexure VI & VII should be submitted twice in a year covering the period of January to June and July to December in each year. Recovery proceeds should be made available to CBSL within 30 calendar days from 30th June and 31st December, respectively, through Head Office of the PFI.

15.2 Where a PFI delays remitting funds collected from the borrowers to the CBSL beyond 30 calendar days from 30th June or 31st December during which recovery was effected, a penal rate of 0.1 will be applied for the duration of the delay. Where a delay has occurred, the PFI is expected to add such penal interest amount when making remittance.

15.3 The PFIs are expected to maintain proper records indicating the total guarantee received from the CBSL, interest charged and the recoveries made etc. and such records must be made available to officers of the CBSL during the inspections.

15.4 Head Office of the PFI should sum the amounts payable by each branch and submit one cheque made payable to RDD together with the recovery forms within 30 days period from 30th June and 31st December each year. When there has been any delay, the Head Office must add the penal interest at the rate determined by CBSL for the duration of delay beginning from the last date for submission of cheque and the forms.

16. Inspection

The CBSL shall have the right to inspect books of accounts and other records of the PFI and carry out field visits pertaining to any loan guaranteed under the scheme.

17 Modifications and Supplementary Provisions

The GOSL and CBSL reserve the right to modify or withdraw the scheme without affecting the rights or obligations arising out of any guarantees issued under the scheme prior to the date of such notification. In respect of any matter not specifically provided for in the scheme, the CBSL shall make such supplementary or additional provisions as may be necessary for the purpose of this scheme.

This Operating Instructions comes in to effect from 05.04.2021.

B L J S Balasooriya
Director/Regional Development

Annex A

**NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
ELIGIBILITY CRITERIA FOR GRANTING LOANS**

1. Cultivation of following crops are eligible for obtaining facilities under NCRCS

Category of Crop	Crop
Paddy	Paddy
Chillies	Chillies
Onion	Onion
Pulses	Cowpea, Green Gram, Black Gram, Soya Beans, Maize, Kurakkan
Oil Seeds	Ground Nut, Gingelly, Sunflower
Root & Tuber	Potato, Sweet Potato, Manioc, Kiri Ala
Vegetables	Brinjal, Ladies Fingers, Beet Root, Beans, Cabbage, Carrot, Capsicum, Tomato, Leeks, Radish, Knol khol, Luffa, Bitter Gourd, Snake Gourd, Pumpkin
Other	Ginger
	Sugarcane

2. Nurseries of above crops (where applicable)

3. Home Gardening

Annexure II

**NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
SCALES OF FINANCE FOR THE ELIGIBLE CROPS**

	Crop & Code	Land Preparation Rs.	Seed Nursery and Planting Rs.	Fertilizer Rs.	Chemical (Pest/ Weed/ fungus) Rs.	Others Rs.	Total Cost Rs.	Maximum Loan Limit per Acre Rs.	Extend of Land Units (Acres)	
									Min	Max
1	Paddy									
	Irrigated (PI)	12,274	4,796	1,870	3,677	17,348	39,965	30,000	0.25	10
	Rainfed (PR)	13,241	6,844	2,336	5,290	15,066	42,777	32,000	0.25	
2	Chillies (C)	24,002	17,959	17,468	31,832	25,680	116,941	88,000	0.125	2
3	Onion (O)	14,089	74,589	34,727	15,895	48,010	187,310	140,000	0.125	2
4	Pulses									
	Cowpea (M1)	4,147	4,838	-	8,262	11,215	28,462	21,000	0.125	5
	Green Gram (M2)	10,108	4,269	-	6,715	14,726	35,818	27,000	0.125	
	Black Gram (M3)	12,509	2,830	-	1,645	11,317	28,301	21,000	0.125	
	Soya beans (M4)	5,612	3,904	4,963	6,710	8,113	29,302	22,000	0.125	
	Kurakkan (M5)	11,367	5,969	-	-	7,537	24,873	19,000	0.125	
	Maize (M)	13,617	9,572	7,268	7,704	7,421	45,582	34,000	0.125	10
5	Oil Seeds									
	Ground Nut (L1)	5,085	16,077	-	8,897	11,799	41,858	31,000	0.125	5
	Gingelly (L2)	9,329	4,979			10,694	25,002	19,000	0.125	
	Sun Flower (L3)	5,160	3,870	3,225	1,290	5,160	18,705	14,000	0.125	
6	Root & Tuber									
	Potato (T)	31,291	176,812	70,804	29,640	27,069	335,616	252,000	0.125	2

		Sweet Potato(T1)	10,449	5,515	7,013	6,192	16,254	45,423	34,000	0.125	
		Manioc (T2)	3,225	7,869	8,483	8,514	14,964	43,055	32,000	0.125	5
		Kiri Ala (T3)	25,800	15,480	6,450	-	10,320	58,050	44,000	0.125	
7	Vegetable										
		Brinjal (V1)	7,920	6,336	14,494	27,324	24,288	80,362	60,000	0.125	
		Ladies fingers (V2)	5,720	7,260	9,479	7,480	11,220	41,159	31,000	0.125	
		Beet Root (V3)	32,844	21,349	11,885	10,532	16,065	92,674	70,000	0.125	
		Beans (V4)	12,180	33,640	17,400	15,776	12,760	91,756	69,000	0.125	
		Cabbage (V5)	37,513	30,246	29,389	30,236	31,492	158,876	119,000	0.125	
		Carrot (V6)	36,740	16,636	34,618	27,052	27,858	142,904	107,000	0.125	
		Capsicum (V7)	27,086	18,503	23,108	43,305	37,888	149,890	112,000	0.125	
		Tomato (V8)	23,457	9,343	22,050	42,430	55,234	152,514	114,000	0.125	2
		Leeks (V9)	34,748	19,100	15,148	13,328	28,917	111,240	83,000	0.125	
		Radish (V10)	18,088	9,282	5,614	5,593	10,829	49,406	37,000	0.125	
		Knoh Khol (V11)	18,088	14,923	5,614	6,188	9,996	54,809	41,000	0.125	
		Luffa (V12)	6,050	11,220	8,847	12,100	33,220	71,437	54,000	0.125	
		Bitter Gourd (V13)	6,380	14,410	8,472	10,450	35,970	75,682	57,000	0.125	
		Snake Gourd (V14)	6,050	12,760	9,750	11,770	34,210	74,540	56,000	0.125	
		Pumpkin (V15)	19,986	8,313	7,498	8,686	6,256	50,739	38,000	0.125	
8	Other										
		Ginger (W1)	4,640	75,400	6,960	-	5,800	92,800	70,000	0.250	2
		Sugarcane (W2)	6,206	4,137	13,653	5,792	37,650	67,438	50,000	1.00	5
		Turmeric	72,000	295,000	35,500	12,000	224,100	638,600	480,000	0.125	1
9	Maximum amount for Home Gardening is Rs.40,000/-										
10	Maximum amount for nurseries is Rs. 500,000/-										

Note :

The PFIs are authorised to release cultivation loans according to the requirements of the borrower subject to a maximum of 60% limit of the total loan amount for the first instalment for land preparation, seeds, plants, fertilizer, fungicide, insecticide etc. and the balance could be released in one or two instalments for purchasing fertilizer or harvesting as recommended by the field officer.

The Branch Managers are requested to release only the amount required by each farmer considering his capacity to meet above cost components given in the above table by his own means.

The Branch Managers are entitled to decide loan amounts to be granted to each farmer according to the cultivation pattern, irrigated or rainfed the cultivation season - Yala or Maha, the crop mixture and the farmers' repaying capacity etc. within the above maximum loan amounts per acre.

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS

Time Schedule for Cultivation Activities

15th June of every year should be request to the Treasury for the next year budgetary allocation

		Payment Schedule	
		Season I 01st January - 15th June	Season II 15th June - 31st December
1	Interest Subsidy 1st Instalment		
	1.1 Closing date to send interest subsidy applications from PFI to the CBSL	15th June	31st December
	1.2 Recommend payment of 1st instalment to the Treasury	31st July	31st January
2	Interest Subsidy 2nd Instalment		
	2.1 Dispatch printout of Recovery reports to the PFIs	31st December	15th July
	2.2 Closing date to send printout of recovery reports from PFIs to the CBSL	28th February	15th September
	2.3 Recommend payment of 2nd instalment to the Treasury	31st April	15th November
3	Credit Guarantee 1		
	3.1 Dispatch of Credit Guarantee 1 forms to PFIs	01st July	01st February
	3.2 Closing date to send credit guarantee 1 forms from PFIs to the CBSL	15th August	15th March
	3.3 Payment of Credit Guarantee Indemnity 1st instalment	30th September	31st April
4	Credit Guarantee 2		
	4.1 Dispatch of Credit Guarantee 2 forms to PFIs	28th February	31st November
	4.2 Closing date to send credit guarantee 2 forms from PFIs to the CBSL	31st March	31st December
	4.3 Payment of Credit Guarantee Indemnity 2nd instalment	30th April	31st January
		Year 3	Year 4

Annexure IV
RDD/NCRCS/IS/1

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
APPLICATION FOR INTEREST SUBSIDY 1ST INSTALMENT

Bank:
 Branch:
 Season:
 District:

Serial No.	Borrower's Name	Borrower's Address	Borrower's NIC No.	Category of Crop Financed	Extent of Land (acres)	Total Loan Amount Approved (Rs)	Date of Amount Re-leased (MM/DD/YY)	Credit Guarantee Premium at 0.5 per cent (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1 / .. /
2 / .. /
3 / .. /
4 / .. /
5 / .. /
6 / .. /
7 / .. /
8 / .. /
9 / .. /
10 / .. /

I hereby certify that the loans indicated above were granted out of the Bank's own resources at an interest rate of ..% per annum and that the bank is eligible to receive the interest subsidy in terms of Operating Instruction No: RDD/NCRCS/2011.

Name of Branch Manager :
 Signature of Branch Manager :
 Date:
 Branch Stamp:-.....

Annexure V
RDD /NCRCS / IS / 2

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
APPLICATION FOR INTEREST SUBSIDY 2ND INSTALMENT
SEASON
PFI

Branch:

District :

Serial No.	Borrower's Name	Amount Sanctioned (Rs.)	Date of Amount Released (MM/DD/YY)	Total Amount of Loan Released (Rs.)	Amount Recovered (Rs.)	Date of Recovered (MM/DD/YY)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1			 / .. / ..
2			 / .. / ..
3			 / .. / ..
4			 / .. / ..
5			 / .. / ..
6			 / .. / ..
7			 / .. / ..
8			 / .. / ..
9			 / .. / ..
10			 / .. / ..
Total		-		-	-	

I certify that the amount in columns (5) and (6) indicating the amount released and amount recovered in respect of loans granted under NCRCS are accurate. Columns (4) and (7) indicating the dates released and recovered are also correct.

Name of Branch Manager :

Signature :

Date :

Branch Stamp :

Annexure VI
RDD / NCRCS /RES/ 1

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
STATEMENT FOR RESCHEDULED LOANS – APPLICATION FOR INTEREST SUBSIDY
SEASON
PFI Season :

Branch:

District:

Serial No.	Borrower's Name	Loan amount granted (Rs.)	Loan Amount Rescheduled (Rs.)	Date Rescheduled (MM/DD/MM)	Amount on which interest subsidy to be claimed			
					First (1st) Season (Rs)*	Second (2nd) Season (Rs)*	Third (3rd) Season (Rs)*	Fourth (4th) Season (Rs)*
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

Total									

*Please state the relevant cultivation season, and rescheduled loan balances for each season.

eg: 1st season - Rs.10,000/= 2nd season - Rs.7,500/=
 3rd season - Rs.5,000/= 4th season - Rs.2,500/=

Name of Branch Manager :

Signature :

Date :

Branch Stamp :

Annexure VII
RDD / NCRCS / RES/ 2

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
STATEMENT OF RECOVERIES FOR RESCHEDULED LOANS
SEASON
PFI

Branch:

District:

Serial No.	Borrower's Name	Loan Amount Granted (Rs.)	Loan Amount Rescheduled (Rs.)	Date Rescheduled (MM/DD/YY)	If Repaid Regularly, Capital Outstanding Balance (Rs.)	Recoveries Made (Rs.) during 1st /2nd/ 3rd Season *	Outstanding Balance as at End of Season (Rs.)	Date of Recovery MM/DD/YY	Eligible Amount for Interest Subsidy (Rs.)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	Total								

* Delete whichever not applicable

Column 06 : If the loan instalments are being regularly repaid after rescheduling the loan, the balance outstanding as at the end of the relevant cultivation season should be shown in the column 06.

Column 07 : After the loan has being rescheduled, the loan instalment paid during the immediate cultivation season ie. The First, Second, or Third season should be shown in the column 07.

Column 08 : After deducting the respective instalments referred to in column 07 above from the loan amount rescheduled, the remaining balance outstanding in the loan ledger should be shown in the column 08.

Column 10 : Eligible amount for interest subsidy payment : The balance remaining outstanding after repaying the loan instalment regularly (Column 06) or the actual balance outstanding as per the loan ledger whichever is lower will qualify for the interest subsidy. This amount should be shown in column 10.

Name of Branch Manager :

Signature :

Date :

Branch Stamp :

Annexure VIII
RDD /NCRCS/CG/1

**NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
CLAIM APPLICATION FOR CREDIT GUARANTEE 1st INSTALMENT**

SEASON

PFI

Branch:

District:

Serial No.	Borrower's Name	Amount Granted (Rs)	Amount Recovered (Rs)	Outstanding Amount (Out of Capital Outstanding) as at Reporting Date (Rs.)	Name of the Mediation Board	Legal Action Taken (Mediation Board Case No.)	Date on which Legal Action Taken (DD/MM/YY)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
			
			
			
			
			
			
			
			
			
Total		-	-	-			

Interest and other charges should not be included in the Credit Guarantee claim 1st instalment.

Manager's Name :

Signature :

Date :

Branch Stamp :

Annexure IX
RDD / NCRCS/CG/2

**NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
CLAIM APPLICATION FOR CREDIT GUARANTEE 2nd INSTALMENT**

SEASON

PFI

Branch :

District:

Serial No.	Borrower's Name	Amount Granted (Rs)	Amount in Loss (Rs)	Recoveries after Submission of 1st Claim (Rs)	Legal Action taken against Willful Defaulters			Net Loss
					Date of Case Filed (DD-MM-YY)	Name of the Court	Arbitration Case No.	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
			
			
			
			
			
Total		-	-				-

NOTE :

Column (5) :Recoveries after submission of 1st claim

Column (10) :Column (3) or Column (4) whichever is lower minus(-) Column (5)

Manager’s Name :

Signature :

Date :

Branch Stamp :

Annexure X
RDD /NCRCS/PC/1

NEW COMPREHENSIVE RURAL CREDIT SCHEME – NCRCS
DETAILS OF LOAN RECOVERIES

SEASON

PFI

Branch:

District:

Season	Serial No.	Borrower’s Name	Granted Loan Amount (Rs)	Amount Settled as Credit Guarantee (Rs)	Amount Recovered from the Borrower (Rs)	Amount to be Remitted to Central Bank (Rs)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Total			-	-	-	-

Manager’s Name :

Signature :

Date :

Branch Stamp :

Operating Instructions No: RDD/NCRCS/2011/2021/02

Regional Development Department
Central Bank of Sri Lanka
No. 30, Janadhipathi Mawatha
Colombo 01
Tel : 2477452, 2398748
Fax : 2477724
20 April 2021

To: All Participating Financial Institutions (PFIs)

Dear Sir/Madam

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE
NEW COMPREHENSIVE RURAL CREDIT SCHEME (NCRCS)**

All PFIs enrolled under NCRCS are hereby informed that the Operating Instructions No.RDD/NCRCS/2011 dated 23 September 2011, which are subsequently amended on 10 January 2013, 06 June 2014, 06 July 2015, 22 August 2016, 08 April 2020 and 05 April 2021 are amended as follows.

Accordingly, following amendments shall be effective from 16 April 2021.

- (I) Annex I (RDD/NCRCS/2011/2021/01) - Turmeric is included as an eligible crop under the "Other" category in the Annex I (eligibility criteria for granting loans) to finance under NCRCS;
- (II) Annex II (RDD/NCRCS/2011/2021/01) – Details of turmeric are also included under Annex II (Scale of Finance for the Eligible Crops) as follows;

Crop	Land Preparation Rs.	Seed Nursery and Planting Rs.	Fertilizer Rs.	Chemical Rs.	Others Rs.	Total Cost Rs,	Maximum Loan Limit Per Acre Rs.	Extend of Land Unit (Acres)	
								Minimum	Maximum
Turmeric (Tu)	72,000	295,000	35,500	12,000	224,100	638,600	480,000	0.125	1

- (III) Section 5.6 (RDD/NCRCS/2011/2021/01) - Maximum duration of loan repayment (except Sugarcane and Turmeric) is 270 days. Maximum loan repayment period for Sugarcane and Turmeric is 365 days. No grace period or one off payment.
- (IV) Section 7.1 (RDD/NCRCS/2011/2021/01) –
Sugarcane and Turmeric;

- 7.1.3 (a) The advance payment will be calculated for a period of 180 days as per section 5.5 above on the amount sanctioned. For this purpose, PFIs should submit duly completed Annexure IV RDD/NCRCS/IS/1 within the stipulated time period given in Annexure III(a).
- (b) The final payment will be made after reporting of recovery dates by the PFI for the balance period subject to maximum of 185 days, as the case may be, if the loan in question has not been recovered even after the period of 365 days. For this purpose, the format RDD/NCRCS/IS/2 (given in Annexure V), will be forwarded to the PFIs to enable them to report the amount granted, date and amount of recoveries of cultivation loans.
- 7.1.4 PFIs should submit duly completed formats for the Sugarcane and Turmeric separately (Interest Subsidy /Credit Guarantee and Rescheduling) within the period as stipulated in the Annex IIIA.

All other terms and conditions stipulated in the Operating Instructions of the NCRCS issued earlier will remain unchanged.

Please bring the contents of this amendment circular to the notice of the relevant officers.

B L J S Balasooriya
Director/Regional Development

Operating Instructions No: RDD/DAD-PP/2021/01

Regional Development Department
Central Bank of Sri Lanka
P O Box 590
No. 30, Janadhipathi Mawatha
Colombo 01.
04.05.2021

To: Participating Financial Institutions

OPERATING INSTRUCTIONS FOR THE IMPLEMENTATION OF THE PILOT PROJECT OF THE DOMESTIC AGRICULTURE DEVELOPMENT (DAD) PROGRAM

These Operating Instructions No: RDD/DAD-PP/2021/01 dated 04.05.2021 are issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) to the selected Participating Financial Institutions (PFIs) with the intention of introducing and implementing a refinance scheme, namely Domestic Agriculture Development Pilot Project (DAD-PP) enabling PFIs to accommodate financial requirements of selected Agriculture Value Chains (AVCs).

1. Introduction

- 1.1 In light of the national importance of inclusive development of the agriculture sector and the conducive environment created by the positive changes in the mind-set of the people towards the agriculture sector, especially due to COVID 19 outbreak, the RDD of the CBSL has developed a comprehensive proposal to assist the smallholder dominated domestic agriculture through establishment of successful AVCs. The proposal was submitted to the Government of Sri Lanka (GOSL) in early 2020.

- 1.2 Considering the importance of introducing this mechanism to the Sri Lankan agriculture sector as early as possible, CBSL in consultation with the Ministry of Finance and the Asian Development Bank (ADB), decided to implement DAD as a pilot program until the feasibility studies are completed to launch the DAD Programme. For the pilot phase of the DAD, only vegetable, dairy and spices sector will be considered.
- 1.3 It is expected to use DAD-PP to develop an appropriate implementation methodology for successful operation at the field level and to identify possible practical issues through selected AVCs identified in the domestic agriculture sector.
- 1.4 Accordingly, as identified by the proposal developed by the RDD, it is expected to introduce DAD Programme which will be comprised with ten (10) strong, well connected and operative AVCs covering the sub sectors including grains, cereals, vegetables, fruits, export agricultural crops and dairy at the national level with the assistance of ADB after completion of the DAD-PP.

2. Objectives of the Scheme

- 2.1 The key objective of the DAD-PP is to enhance the production and product quality while promoting the access to finance and market opportunities for uplifting socio-economic conditions of the smallholder producers in the domestic agricultural sector and to promote agricultural exports while ensuring the availability of major food items in the market.
- 2.2 Apart from above key objective, the DAD-PP is focused on the following sub-objectives;
 - (i) Establishment of three strong and well-connected operative Agriculture Value Chains in the domestic agricultural sector by synergizing capabilities of relevant government and private sector institutions and the farming community.
 - (ii) Provision of finance and linking smallholder farmers with other stakeholders in the selected value chains to ensure availability of sustainable income generating avenues for the farming community who engage in export crops (spices) vegetables and dairy production in the domestic sector.
 - (iii) Increase production and net income at farm level by providing finance and technical knowhow to adopt new technologies and best practices.
 - (iv) Facilitate farmers to improve the product quality to meet the required market standards while ensuring the market facilitation.
 - (v) Promote value added products to ensure higher income for all actors in the value chains and promote export-oriented agriculture products with added value.
 - (vi) Enhance the level of financial inclusiveness of the farming community while promoting financial literacy and access to finance among them.

3. Operation of the Scheme and Source of Funds

DAD-PP will be operated all island by the RDD as a pilot project and will be funded by the CBSL.

4. PFIs of the DAD-PP

For the pilot phase of the DAD, the following PFIs will be participated;

Bank of Ceylon, Cargills Bank Limited, People's Bank, Regional Development Bank, Sanasa Development Bank Limited

5. Effective Date of the Scheme

The effective date of these Operating Instructions No: RDD/DAD -PP/2021/1 will be 04.05.2021.

6. Definitions

- 6.1 **"Agriculture Value Chain (AVC)"** means any Agriculture Value Chain selected by PFIs covering vegetable, dairy and spices, and the CBSL to provide financial and non-financial support under the DAD-PP.
- 6.2 **"Value Chain Player (VCP)"** means any participant who is actively engaged in an AVC comes under DAD-PP.
- 6.3 **"Value Chain Participation Certificate (VCPC)"** means the document of confirmation given to the Value Chain Player by the Lead Player as proof of participation of the respective AVC.
- 6.4 **"Lead Player"** means the organization accepted by the CBSL, which takes the lead in streamlining the identified AVC and confirming the participation of the VCPs. Lead Player could be an organization such as Marketing Organization, Processing Company etc. or any other VCP agreed to play the role of the Lead Player.
- 6.5 **"Participating Financial Institution"** means any Commercial Bank or Specialized Bank registered under Banking Act No. 30 of 1988 (as amended) and participates in the DAD-PP after entering into an Agreement with the CBSL, for implementation of DAD-PP.

- 6.6 **“Agreement”** means the loan agreement entered into by and between the CBSL and each of the PFI for the implementation of DAD-PP.
- 6.7 **“Operating Instructions”** means the Operating Instructions of the DAD-PP, prepared and issued by the RDD of CBSL and the subsequent amendments to those Operating Instructions.
- 6.8 **“Eligible Borrower”** means a person who satisfies the eligibility criteria for obtaining sub-loans from the PFI under the DAD-PP as specified in the Operating Instructions.
- 6.9 **“Sub-Borrower”** means the Eligible Borrower who has obtained sub-loans from the PFI under the DAD-PP as specified in the Operating Instructions.
- 6.10 **“Sub-Loan Agreement”** means the Agreement signed between the PFIs directly with the eligible sub-borrowers.
- 6.11 **“Sub-Loan”** means the loan provided by PFIs directly to the Eligible Borrower.
- 6.12 **“Sub- Project”** means the project for which a sub-borrower obtains a sub-loan under the DAD-PP.
- 6.13 **“Refinance Loan”** means the loans provided by the CBSL to PFIs.
- 6.14 **“Non-Farming Activities”** means all non-agricultural activities including small scale manufacturing, transportation, community services, etc.

7. Operational Process of the DAD-PP

The Operational Process of the DAD-PP is interlinked with selected AVCs. It is expected to cater the financial and non-financial requirements of the VCPs of these AVCs irrespective of their level in the value chain. Proposed AVCs are given in the Annex I.

The Operational Process of the DAD-PP is given below.

Step 01 -	RDD will be selected suitable Lead Players for the pilot phase with the assistance of PFIs.
Step 02 -	Awareness Programmes on DAD-PP will be conducted for the VCPs by the RDD and Regional Offices (ROs) of the CBSL.
Step 03 -	VCPs are provided with the Value Chain Participation Certificate (VCPC) by the Lead Player.
Step 04 -	VCPs who wish to obtain financial facilities under DAD-PP visit the PFI Branch of their choice with VCPC.
Step 05 -	A Compulsory Preliminary Analysis on the Credit Worthiness of the relevant VCPs with the VCPC, to be conducted by the PFI Branch (Checking CRIB etc.) and select Eligible Borrowers out of the VCPs who expressed their interest to obtain financial facilities under the DAD-PP.
Step 06 -	Farm plans and project proposals should be prepared by the relevant PFI with the support of eligible sub-borrower/s to ensure the viability of capital investments of the particular AVC. The format given in Appendix I and Appendix II can be used to prepare project proposal to obtain the finance facility under the scheme (loan amount less than Rs. 1,000,000 may use Appendix I and above Rs. 1,000,000 may use Appendix II).
Step 07 -	PFI Branch shall prepare a Credit Appraisal Report based on the Proposed Project and considering the viability of Project Proposal/Farm Plan.
Step 08 -	PFI Branch shall follow the Registration, Loan Disbursement and Refinance Procedures given in these Operating Instructions, following the regular process of the PFI.
Step 09 -	Post Monitoring of the Sub-Loans will be carried out by the RDD and the relevant Regional Offices with the assistance of respective branches of the PFIs. In addition, PFIs are required to comply with the monitoring requirements given in the Section 16.4 of these Operating Instructions.

8. Main features of the DAD-PP

8.1 Eligibility Criteria for sub-borrowers

- (i) The sub-borrower should be a VCP as define in this Operating Instructions, with an acceptable market linkage with relevant other participants of the AVC. Both existing and new value chain players will be considered under this scheme.

- (ii) The sub-borrower should not be a willful defaulter in respect of any loan obtained previously from a financial institution. However, the desecration is given to the PFI for granting any loan to a borrower.
- (iii) The sub-borrowers whose age is 65 years or above, should enroll a family member (i.e., spouse or a child over 18 years) as a co-borrower in order to obtain a credit facility under the DAD-PP.
- (iv) The sub-borrower should have an any right to the land or other properties in which the sub-project will be operated by the said borrower, acceptable to the PFI.

8.2 Eligible Activities

- (i) Economically and financially viable income generating activity or business activity in the selected value chains that have adequate cash flows with sound credit service ratios as determined by the Project Appraisal Report prepared by the respective PFI.
- (ii) The requirements of each category in the value chain and suitable facilities are given in the Annex II.

8.3 Maximum Loan Amount

Twenty-five (25) million LKR or Eighty-five (85) percent of the total estimated project cost whichever is the lower.

8.4 Equity Contribution

Minimum of Fifteen (15) percent of the estimated cost of the project shall be provided by the sub-borrower as an equity of the project in cash or in kind.

8.5 Refinance

CBSL will provide 100 per cent refinance for all sub-loans registered at RDD and disbursed by the PFIs, upon the submission of duly completed Refinance Applications subject to the terms and conditions laid down in these Operating Instructions.

8.6 Interest Rate

PFIs shall not, in any circumstance, grant any loan to a sub borrower above the rate given at 8.6 (ii) below;

- (i) From CBSL to PFIs
 - a. Below Rs. 1 million – ONE (1) percent (1%) per annum
 - b. Rs. 1 million to 25 million – TWO (2) percent (2%) per annum
- (ii) From the PFIs to the sub-borrower
 - a. Below Rs. 1 million – FOUR (4) percent per annum
 - b. Rs. 1 million to 25 million – FIVE (5) percent per annum

8.7 Repayment Period

Maximum of 5 years including the maximum of 1 year grace period according to the requirement of the project, considering the earning capacity of the sub-project subject to recommended duration given in Annex II.

8.8 Grace Period

Maximum of one (1) year grace period subject to the request made by the sub borrower from the PFI. Sub-borrowers should pay the interest during the grace period.

8.9 Collateral

PFIs are advised to grant loans considering the viability of the project farmer activities verified at the field inspections and the market linkages established with a reputed buyers/value chain partners in the chain rather than depending on the collateral. In this regard, PFI may consider the VCPC or confirmation given by an Agriculture Value Chain Buyer/VCP ensuring the availability of the market as the collateral for obtaining a loan.

9. Registration of Borrowers

- 9.1 The Head Office of the PFI shall issue relevant guidelines and instructions to the officers of the branches on identification of eligible sub-borrowers in the AVC and collection of loan applications from such sub-borrowers and complying with the Operational Process given in these Operating Instructions.
- 9.2 The PFI branch shall forward the duly completed Loan Registration Form (LRF) given in Annex III and other supporting documents to the PFI Head Office for the approval. The following documents shall be kept with the Head Office of each PFI when approving any loans to be forwarded to the Director/RDD;

- (a) Business Registration Certificate*
- (b) Proof document of EPF and ETF payment*
- (c) Proof document of Tax Payment*
- (d) Fresh quotations/invoices relevant to any purchases
- (e) Project Appraisal Report
- (f) Other certificates confirming the suitability and viability of the project

* Applicable for non-farming activities and loans exceeded Rs. 1 million.

- 9.3 The Head Office of the PFI shall forward the details of the applicants who wish to obtain loans under the DAD-PP, by submitting the hard copy of duly completed LRF given in Annex III to the Director/RDD. One LRA may include several applicants considering requests individual borrower/s.
- 9.4 All supplementary documents specified in the Section 9.2 above, shall be kept in the custody of Head Office of the PFI.
- 9.5 The PFIs have to ensure the accuracy and compatibility of information provided to RDD through each and every LRF.
- 9.6 Based information provided in the LRF, RDD will register the sub-borrowers on first-come-first-served basis subject to availability of funds under DAD-PP.
- 9.7 The RDD reserves the right to refer the registration application to the PFI, in the event that any further information or clarification is required by RDD for the purpose of registering such applications.
- 9.8 Upon registering the sub-borrower, RDD will allocate a designated Registration Number (RN) to each sub-borrower and notify such RN to the Head Office of the respective PFI. This RN should be used for any correspondence with the CBSL regarding the particular sub-borrower on the scheme.
- 9.9 In an instance where any discrepancy is observed in the information provided in the LRF, RDD reserves the right to cancel the registration of the respective sub-borrower whose information found to be inaccurate subject to a 14 days' notice to the PFI provided that the relevant PFI has not taken any action as given in the Section 9.10 in this regard. However, any discrepancy is observed after releasing refinance by the Director/RDD, RDD reserves the right to recall the amount refinanced or outstanding balance as at the date and PFI shall transfer total due amount to the CBSL without charging any additional amount from the borrower.
- 9.10 Upon the receipt of a notice sent by the RDD as per the Section 9.9 above, PFI shall immediately inform the RDD whether they are intending to provide explanation on the concern raised and submit relevant explanations to the said concern and/or shall correct the highlighted matter within 14 days of the receipt of such notification. Final decision on the concern will be taken by the Director/RDD.

10. Disbursement of Sub-loans

- 10.1 PFIs should release sub-loans to the registered sub-borrowers within 3 weeks of such registration with the CBSL.
- 10.2 If a PFI is unable to disburse any sub-loan within the stipulated time period, RDD should be informed immediately with a valid reason/s for the delay in disbursing registered loans. RDD will consider the reasons given for the delay and take appropriate decision/actions in this regard.
- 10.3 Any failure of the PFIs to disburse sub-loans and to provide valid reasons within 30 calendar days of the notification of such registrations may cause cancellation of the registration of sub-borrowers by the RDD, without any prior notification to the PFI.

11. Procedure of Disbursement of Refinance by CBSL

- 11.1 Duly completed applications for claiming refinance should be completed by the PFI after releasing the sub-loans to the registered sub-borrowers as specified below.
 - (i) Application for Refinance - Annex IV
 - (ii) Statement of Loans Disbursed Application for Refinance - Annex V
 - (iii) Demand Promissory Note - Annex VI
 - (iv) Delivery Note - Annex VII
 - (v) Form of Assignment by way of Pledge to CBSL - Annex VIII
 - (vi) Disbursement Letter - Annex IX
- 11.2 The PFI shall submit Annex IV, V and VI to claim the disbursement from the CBSL.
- 11.3 Duly filled Annex VII, VIII and IX shall be kept with the PFIs and shall be submit to the CBSL, as and when required and requested by the CBSL.

- 11.4 RDD, having satisfied with the completion of required information in the refinance application (Annex IV) together with Statement of Loans Disbursed Application for Refinance (Annex V) and Demand Promissory Note (Annex VI), will approve such refinance application and release refinance within 14 working days after receiving duly completed documents mentioned above, on first-come-first-served basis.
- 11.5 Refinance claims should be submitted to the RDD only through the Head Offices of the PFI within 30 calendar days of a loan disbursement to a registered sub-borrower.
- 11.6 Refinance claims directly submitted by PFI branches will not be accommodated by the CBSL.

12. Recovery of Loans

- 12.1 PFIs should recover the capital and interest from the sub-borrower as per the conditions apply for each sub-loan.
- 12.2 The capital and interest for the refinance released by the CBSL to the PFI shall be recovered semi – annually i.e., 30th June and 31st December of each year according to the repayment schedule generated for each sub-borrower by the CBSL based on the refinance released under DAD-PP.

13. Custody of documents

- 13.1 The PFI should make arrangements to keep all evidence and documents on the assessment of loan appraisal for each sub borrowers for inspection. Any such document shall be presented, as and when requested, to the CBSL for perusal or other purposes.
- 13.2 PFI Head Office or a PFI branch may retain any other document relevant to implementation of the DAD-PP, which does not come under the purview of the Section 9.2 and 11.1 above, at the sole discretion of the PFI.

14. Monitoring of the Scheme

- 14.1 The viability of loan released under the Scheme will be monitored by the RDD directly and/or may obtain the support of the officers of Divisional Secretariat, if required.

15. Auditing of Accounts

- 15.1 RDD will prepare annual financial statements under DAD-PP and such financial statements shall be submitted to the Auditor General for the purpose of audit.
- 15.2 Further, PFIs shall conduct a special internal audit to verify the assessments carried under the DAD-PP are in order and to assess any losses incurred from the sub-borrowers.

16. Role and Responsibilities of the PFI

The PFI is required to play an active role in the implementation of this scheme. In addition to the requirements mentioned in these Operating Instructions, the PFIs are requested to comply with the following;

- 16.1 Provide necessary assistance to enhance business and technical know-how of the VCPs, particularly the smallholder farmers, and establish market linkages among the VCPs.
- 16.2 Designate an officer at the PFI Head Office to liaise with the CBSL with regard to the implementation of the DAD-PP and to maintain continuous dialogue of the Scheme regarding the DAD-PP.
- 16.3 Take total responsibility of the delivery of credits to the sub borrowers and the recovery of refinance on time.
- 16.4 Ensure regular supervision of the status and operations of the scheme and maintain a separate loan account for the scheme while taking prompt actions, where necessary, to minimize any losses to the PFI.
- 16.5 Maintain Accounts and Financial Statements.
- (i) PFIs are required to maintain appropriate ledger accounts and records to indicate inter alia, sub-loan appraisal, approvals, disbursement and recovery.
 - (ii) PFIs are required to maintain a separate account for the utilization of loan proceeds and refinance operations.
 - (iii) PFI should submit the accounts and financial statements and any information including account transactions and balance confirmation or any other relevant information requested by the RDD with regard to this Scheme, as and when required.

17. Role of the CBSL

The CBSL, in addition to the functions stipulated in these Operating Instructions, may perform the following functions in its capacity as the implementing agency, to ensure the successful implementation of the scheme.

- 17.1 Issue Operating Instructions and amend such Operating Instructions as and when required.

- 17.2 Perform monitoring and evaluating process of the scheme and implement necessary policy actions from time to time.
- 17.3 Conduct field inspections, visit PFIs and inspect the ledgers, books and documents etc. and take any other supervisory action were deemed to be necessary.
- 17.4 Coordinate with other relevant agencies and assist PFIs to conduct awareness sessions, technical workshops and market linkage programs as required.
- 17.5 Conduct financial literacy programs for selected VCPs and conduct training programs for the officers of PFIs on value chain financing.

18. Other

The Director, RDD of the CBSL reserves the right;

- 18.1 to revise the terms and conditions stipulated in these Operating Instructions No: RDD/DAD-PP/2021/01 dated 04.05.2021 as and when required.
- 18.2 to issue Guidelines to the PFIs regarding the implementation of the DAD-PP and amend such Guidelines as necessary.
- 18.3 to remove any PFI from the DAD-PP, in accordance with the terms and conditions of the Agreement, in the event of non-compliance to these Operating Instructions is observed.
- 18.4 to direct eligible sub-borrowers under this loan scheme to obtain the required financial facilities through other loan schemes implemented by the RDD of CBSL.

B L J S Balasooriya
Director, Regional Development
Central Bank of Sri Lanka

Annex I

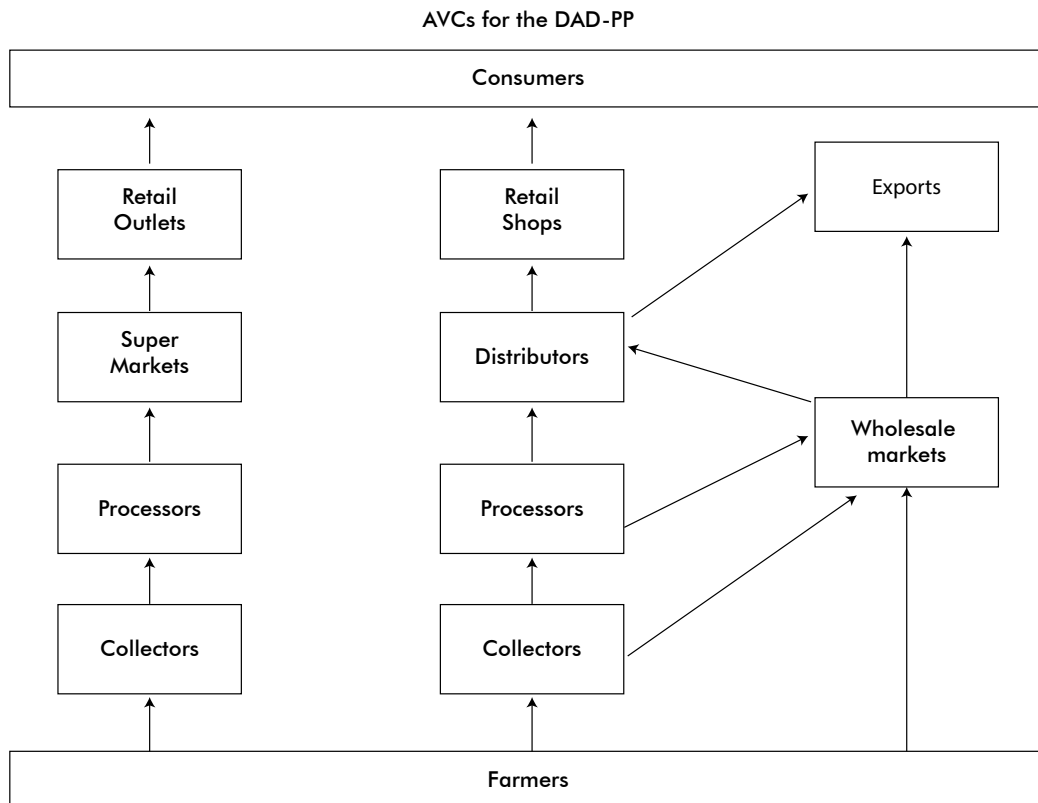


Figure 02 : Vegetable Value Chain

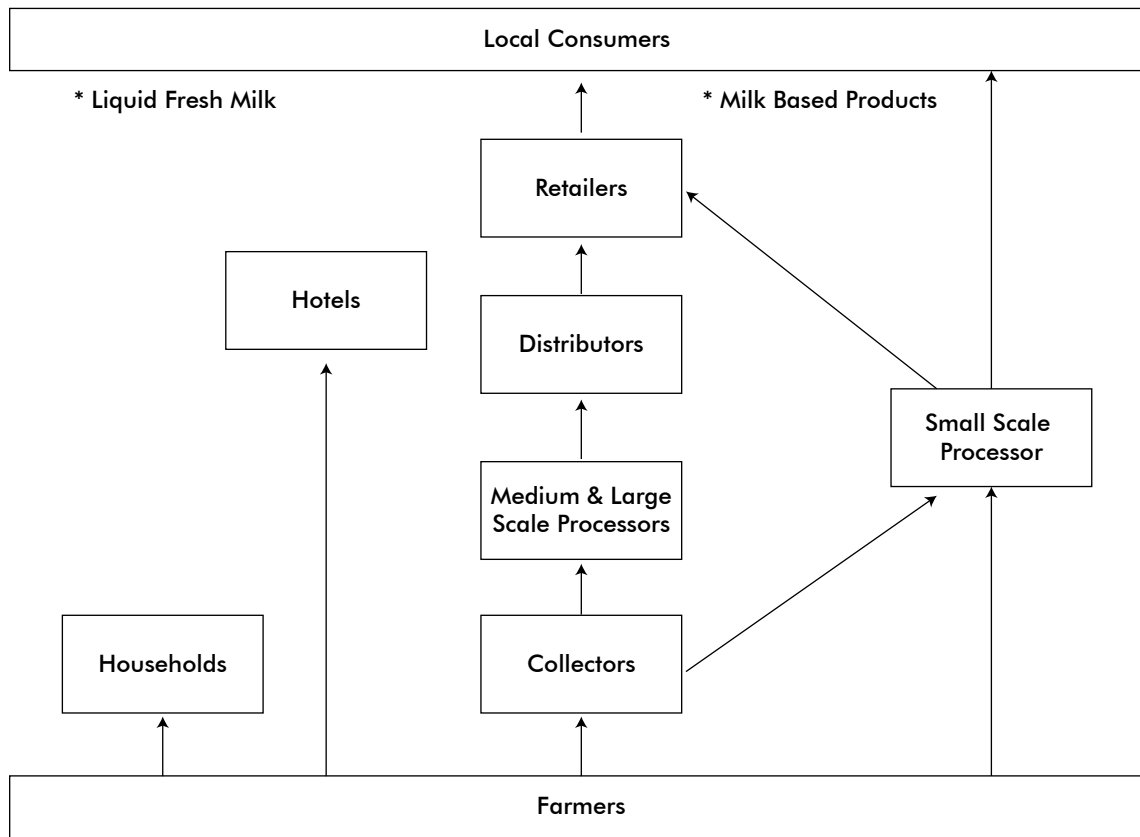


Figure 03 : Dairy Value Chain

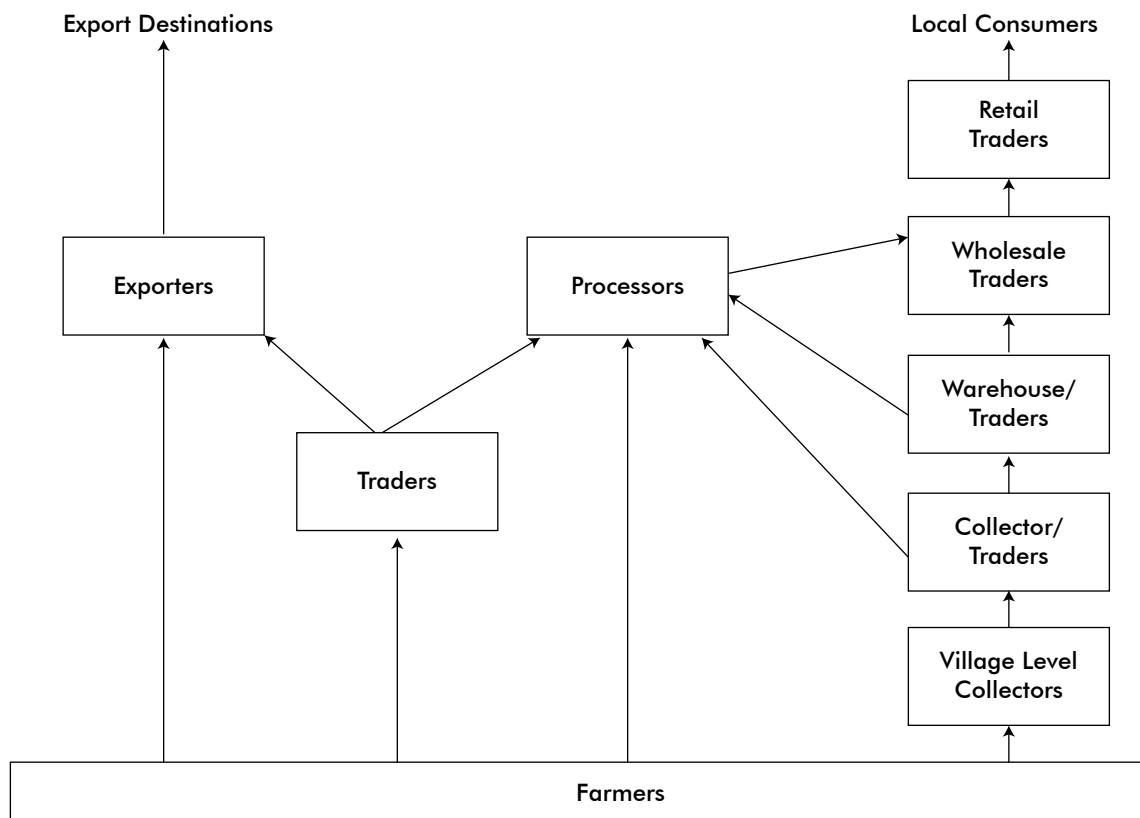


Figure 04 : Export Crop Value Chain (Spice)

Financial requirements of the value chain participants

Category of participants in the value chain	Requirements	Recommended Financial facility
Input suppliers	Procurement of inputs in bulk as required by farmers. (seeds, fertilizer, machinery, and equipment etc.)	Mainly short-term* working capital loans
Smallholder farmers	Establishment of sustainable farm unit with required structures and equipment and to meet the cost of cultivation	Capital investment loans with 3-to-5-year repayment period Short-term cultivation loans Warehouse Receipts Finance loans for storage
Commodity collectors Transporters Distributors	Construction or refurbishment of structures to collect and storage of commodities in compliance with the international /SL standards Cool trucks/other equipment Working capital for procurement of commodities	Capital investments with 3-to-5-year repayment period Short-term working capital loans Factoring facilities could be arranged in agreement with the commodity buyers in the chain
Processors Value added product manufacturers Warehouse keepers Exporters	Adoption of state of art technology and structures required to produce value added products in compliance with the international standards Machinery and equipment Storage Procurement of raw commodities from the farmers or collectors or finish products from the processors or manufacturers Meet the cash flow requirements until receive the export proceedings	Capital investment with 3-to-5-year repayment period Short-term working capital loans Warehouse Receipts Finance facilities Standard export credit facilities or Factoring facilities according to the requirement
Retailers	Retailers registered in a network with the manufacturer or a distributor in a selected value chain are eligible to apply facilities for procurement of commodities/products	Working capital loans on the recommendation of the manufacturer/distributor in the chain.

* up to twelve (12) months

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/DAD-PP/2021/01 dated 04/05/2021)

Address:

Date:

APPLICATION FOR REFINANCE UNDER

Pilot Project of the Domestic Agriculture Development Programme (DAD-PP)

To: The Central Bank of Sri Lanka.

Gentlemen

We,..... (name of the Participating Financial Institution) a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees (Rs.) under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/DAD-PP/2021/01 dated 04/05/ 2021.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the "DAD-PP" Scheme. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of installments) half yearly installments each of Rs. the first of which shall be payable on day of 20.....
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to borrowers mentioned in paragraph 3 above are within their borrowing powers; and
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Rubber Stamp

Signature

Name and description of the Authorised Officer(s)
of the PFI
Manager, Refinance Unit.

ANNEX VI

OIs NO: RDD/RF/LS/YEAR/NO:.....

APPLICATION NUMBER:.....

DATE:.....

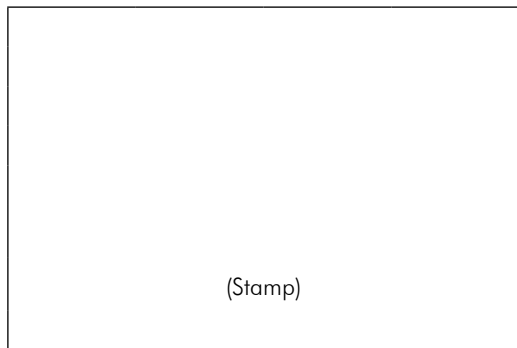
DEMAND PROMISSORY NOTE

(NAME OF THE SCHEME)

RS:.....

On demand, we, the undersigned

 (Name and Address of the Participatory Financial Institution) hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupee
 (Rs:.....) for value received, with the interest rate thereon, at the rate ofper centum (...%) per annum for the date hereof.



For (Name of the PFI)
 REFINANCE/CREDIT UNIT
 HEAD OFFICE

- 1.
- 2.

(Signature of the Authorised Officers)

Witnesses:

- 1.
- 2.

Annex VII

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/DAD-PP/2021/01 dated 04/05/2021)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees
 (Rs.....) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (Pilot Project of the Domestic Agriculture Development Programme (DAD-PP)) referred to in your Operating Instructions No. RDD/DAD-PP/2021/01 dated 04/05/2021 we herewith deliver to you our Promissory Note in your favour for Rs.....
 (Rs.....) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.



For (Name of the Participatory Financial Institution)

REFINANCE UNIT

HEAD OFFICE

1.

2.

(Signature of the Authorised Officer)

Annex VIII

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/DAD-PP/2021/01 dated 04/05/2021)

FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA UNDER SECTION 88A OF THE MONETARY LAW ACT*

Colombo.

Date:

We,.....

(Name and address of Participatory Financial Institution) in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/ further security for the repayment to the Central Bank of a loan of Rupees.....

..... (Rs.....) granted to us by the Bank repayable with interest at percent per annum.

SCHEDULE

Amount of Debt (Rs)	Borrower's Name and Address	Date	Notary

.....

Signature of the Authorised Officer



For (Name of the PFI)

REFINANCE UNIT

HEAD OFFICE

-----* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

DISBURSEMENT LETTER

(To Operating Instructions No RDD/DAD-PP/2021/01 dated 04/05/ 2021)

Bank Name :

Bank Code No :

Branch Name :

Branch Code No :

Serial No. of the Loan :

Date :

Disbursement :

*

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

**STATEMENT OF LOANS DISBURSED UNDER
PILOT PROJECT OF THE DOMESTIC AGRICULTURE DEVELOPMENT PROGRAMME (DAD-PP)**

Enquiry Number:

1. Particulars of the Borrower :

1.1 Name of the Borrower :

1.2 Address of the Borrower :

2. Particulars of the Loan :

2.1 Purpose of the Loan :

2.2 Location of the Sub-project :

2.3 Total amount of loan sanctioned : originally	Rs.	
Subsequent enhancement of loan for cost overruns	Rs.	
Total :	Rs.	

2.4 Date of original sanction of loan :

Date of sanction of enhancement of loan :

2.5 Repayment Programme for the installment for which refinance was applied for:

Date: Amount (Rs.):

2.6 Rate of interest:

3. Status of Loan:

3.1 Amount released previously)	Rs.	
and refinance claimed from the CBSL)		
3.2 Amount now released and for which)	Rs.	
refinance is sought)		
Total	Rs.	

I certify that the particulars given above are true and correct.

Date :

Signature of Branch Manager
Name of Branch Manager

Rubber Stamp

* Please indicate whether it is 1st, 2nd or any other installment by putting a cross in the appropriate box.

For Official Use Only

Project Reference:

Appendix I**Project Proposal Format (Loan Amount Less than Rs. 1 mn)****1. Project Identity/ Specification**

1.1 Project Reference :

1.2 Project Title :

1.3 Project Location :

Province	District	DS Division	GN Division

1.4 Location Address :

1.5 Type of the Project

Startup	
---------	--

Existing	
----------	--

1.6 Project Category

Vegetable	
-----------	--

Dairy	
-------	--

Spices	
--------	--

1.7 Date of Submission of Full Project Proposal :

2. Individual/ Business Information

2.1 Full Name of the Individual/ Business Name :

2.2 NIC No/ Business Registration Number and Date (if any) :

2.3 Business Start Date :

2.4 Legal Status (if any) :

2.5 Bank Details

Bank	Branch	A/C Type	A/C No

2.6 Contact Details

- Postal Address :
- Contact No. :

2.7 Auditor Details (if any) :

3. Current Financial Status (for existing value chain players)

3.1 Revenue/Income for Last 3 years (if any)

Financial Year	Total Revenue/Income (Rs.)

3.2 Details of previous loans obtained relevant to the startup/existing business

Bank	Loan Amount (Rs.)	Period	Date of loan taken	Remarks

4. Description of proposed project.

(Explain the project briefly))

4.1 Objectives

(Main objectives to be achieved under the project should be explained)

4.2 New Product/ New technology

(New production of business and latest technology to be used for the business should be explained) Product Range/ Service Portfolio

Name of the Products/ Service	Unit of measure	Cost of Production	Selling Price (Rs.)	Gross Profit (Rs.)

4.3 Plan and Process

(Production plan should be explained)

5. Advantages and safety methods

(Advantages for the village/town /area or country and safety methods to be used for the business should be explained)

6. Environmental Safety

(Methods to be applied for the safety of environment should be explained)

7. Technical ability

7.1 Technology

(Technology/new methods to be used for the business should be explained)

7.2 Capacity of the proponent for technology adoption

(Ability of proponent to use the technology should be explained)

7.3 Machinery / Factory capacity

Name of Machine	Brand/Trade Name	Maximum Capacity	Proposed capacity to be used	Day Production	Purpose of use

8. Financial Forecast

Payback Period :

Monthly installment (capital & Interest should be mentioned clearly):

9. Comments on Main Legal Documents

9.1 Business Registration (if any)

9.2 Other Legal Documents (if any)

10. Proposed Detailed Budget

Item No.	Item/Activity	Existing		Proposed		Total Investment (Rs.)
		Bank (Rs.)	Equity (Rs.)	Bank (Rs.)	Equity (Rs.)	
Total						

Above facts and figures presented in this paper are accurate to the best of my knowledge.

.....

Authorised Officer of PFI

.....

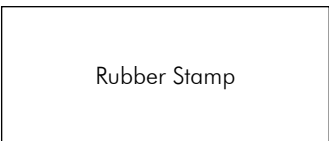
Applicant

Approval of the Manager is sought to accept above proposal and award a maximum Loan amount of Rs.

Approved/Not approved by

.....

Manager of the respective PFI branch



Appendix II

Project Proposal Format (Loan Amount more than Rs. 1mn)

For Official Use Only Project Reference:

1. Project Identity/ Specification

1.1 Project Reference :

1.2 Project Title :

1.3 Project Location :

Province	District	DS Division	GN Division

1.4 Location Address :

1.5 Type of the Project

Startup	
---------	--

Existing	
----------	--

1.6 Project Category

Vegetable	
-----------	--

Dairy	
-------	--

Spices	
--------	--

1.7 Date of Submission of Full Project Proposal :

2. Individual/ Business Information

2.1 Full Name of the Individual/ Business Name :

2.2 NIC No/ Business Registration Number and Date (if any) :

2.3 Business Start Date :

2.4 Legal Status (if any) :

2.5 Bank Details

Bank	Branch	A/C Type	A/C No

2.6 Contact Details

- Postal Address :
- Contact No. :

2.7 Auditor Details (if any) :

3. Current Financial Status (for existing value chain players)

3.1 Revenue/Income for Last 3 years

Financial Year	Total Revenue/Income (Rs.)

3.2 Details of previous loans obtained relevant to the startup/existing business

Bank	Loan Amount (Rs.)	Period	Date of loan taken	Remarks

4. Proposed Project Briefing

(Description of project should be mentioned)

4.1 Objectives

(Main objectives to be achieved under the project should be explained)

4.2 Projects Results/Outcome

Indicators	Units of measure	Year 0*	Target Values (cumulative numbers)				
			Year 1	Year 2	Year 3	Year 4	Year 5

Year 0* - before starting the new project

4.3 Innovation/ New technology

(New production of business and latest technology to be used for the business should be explained)

4.4 Value Addition

(Value addition path/process related to the production should be explained)

Product Range/ Service Portfolio

Name of the Products/ Service	Unit of measure	Cost of Production	Selling Price (Rs.)	Gross Profit (Rs.)

4.5 Plan and Process

(Production plan and strategies to be used for the production should be explained)

5. Social Benefits and Safeguard

(Benefits for the community/village/town /area or country and safeguard methods to be used for the business should be explained)

6. Environmental Safeguard

(Methods to be applied for the safety of environment should be explained)

7. Technical Feasibility

7.1 Technology

(Technology/new methods to be used for the business should be explained)

7.2 Capacity of the proponent for technology adoption

(Ability of proponent to use the technology should be explained)

7.3 Machinery / Factory capacity

Name of Machine	Brand/Trade Name	Maximum Capacity	Proposed capacity to be used	Day Production	Purpose of use

8. Financial Forecast

Internal Rate of Return (IRR) :

Payback Period :

Immediate Revenue for Year 0* :

(only for existing projects)

Estimated Revenue for Year 1 (Rs.) :

Estimated Revenue for Year 2 (Rs.) :

Year 0* - Before starting the new project

9. Comments on Main Legal Documents

9.1 Business Status

(i.e. Individual/ Pvt. Ltd/ Sole Proprietor/ Partnership/ Cooperative/ Association & documents relating to the status should be provided)

9.2 Project Land

(status of the ownership, relating documents and other details of the project land)

9.3 Other Legal Documents

10. Proposed Detailed Budget

Item No.	Item/Activity	Existing		Proposed		Total Investment (Rs.)
		Bank (Rs.)	Equity (Rs.)	Bank (Rs.)	Equity (Rs.)	

Total						

Above facts and figures presented in this paper are accurate to the best of my knowledge.

.....

Authorised Officer of PFI

.....

Applicant

Approval of the Manager is sought to accept above proposal and award a maximum Loan amount of Rs.

Approved/Not approved by

.....

Manager of the respective PFI branch

Ref : 32/04/034/0001/001

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/ Madam,



09 June 2021

SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS.

The Central Bank of Sri Lanka (CBSL), having identified the challenges faced by the businesses and individuals due to the ongoing COVID-19 pandemic decided to extend, the grace period up to 30 September 2021 and repayment period by twelve (12) months (i.e., Total repayment period up to 36 months including the grace period) only for the working capital loans granted to businesses and individuals, under the Saubagya Covid 19 Renaissance Facility Phase I, II and III.

The PFIs shall pay an additional credit guarantee fee of zero-point two five percent (0.25%) on the extended loan repayment period under the above concession and already extended loan repayment period for the borrowers in the tourism sector as per letter issued on 24 March 2021 by the Regional Development Department (RDD) under the Phase III of the Saubagya COVID 19 Renaissance Facility. The premium payable to the CBSL shall be calculated from the value of the sub-loan amount originally released. The cost of premium for the Credit Guarantee shall be borne by the Participating Financial Institutions (PFIs) and shall not be passed on to the borrower.

Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIs on or before 30 June 2021. PFIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.

Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format (RDD 09.06.2021- Annex1) with the guarantee premium of zero-point two five percent (0.25%) for each sub-loan under Phase III, to the Director of RDD by 31 July 2021. Soft copy of the details in Excel format shall be sent to bashika@cbsl.lk and sehan@cbsl.lk.

Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,

B L J S Balasooriya

Director

Regional Development Department

“Saubagya COVID-19 Renaissance Facility”

RDD 09.06.2021 - Annex 1

Phase 1:

Details of Extension of Concessions Provided for Businesses and Individuals

Name of the PFI:

#	CBSL Registration No.	CBSL Refinance No. (if applicable)	Name of the Borrower	NIC	BR No. (if any)	Approved Loan Amount by the CBSL (Rs.)	Loan Released Amount by the PFI (Rs.)	Date of Loan Released by the PFI	2- Due Premium (0.25 per cent of the total Loan Amount) Rs	Con-cession Extended Date	Grace Period				Repayment Period Including grace Period		
											Existing (No. of months)	3- Requested /Allowed (No. of months)	4-Al- lowed (No. of months)	Ending date	Original (No. of months)	Requested (No. of months)	

.....

(Name, Signature and Stamp of the Authorised Officer)

Date

- 1 provide separate sheets for each Phases of the Scheme
- 2 applicable only for loans under the Phase III.
- 3 applicable only for the concession applied as per RDD letter dated 09 June 2021.
- 4 applicable only for the previously given concession for tourism sector loans

Ref: 32/04/034/0001/001

17 June 2021

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/ Madam,

(1) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.**(2) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS.**

This wishes to clarify the following with respect to the letters issued on 24.03.2021 and 09.06.2021 on the above subjects respectively by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL).

All Participating Financial Institutions (PFIs) are hereby informed to compute the interest on the capital accumulation resulting from the extended grace period in conformity with the interest rate of 4 per cent per annum as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of Saubagya COVID 19 Renaissance Facility (SCRF) Phase I, II and III.

In the case of the SCRF Phase I and II, if any sub-borrower has opted for no payment of interest during the grace period, the interest accumulated during such grace period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the grace period and no any compound interest shall be computed during the grace period. For any further clarification, you may contact bashika@cbsl.lk or sehan@cbsl.lk.

Further, extended grace period can be applied subject to complying with regulations on classification of credit facilities as non-performing loans issued by Bank Supervision Department (BSD). Arrangements will be made, in collaboration with the BSD of the CBSL, to ensure the compliance of the PFIs with these instructions.

Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,

B L J S Balasooriya

Director**Regional Development Department****Operating Instructions No: RDD/CG/RM/2021/01**

Regional Development Department
Central Bank of Sri Lanka
PO Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
01.09.2021

To: All Participating Financial Institutions**OPERATING INSTRUCTIONS****CREDIT GUARANTEE SCHEME FOR THE LOANS TO BE GRANTED TO THE RICE MILL OWNERS IN SRI LANKA**

The Operating Instructions No. RDD/CG/RM/2021/01 dated 01.09.2021 are issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (hereinafter referred to as "the Administrator") to all Participating Financial Institutions (hereinafter referred to as "the PFIs") to introduce and implement a Credit Guarantee Scheme for the Loans to be granted by PFIs to the Rice Mill Owners in Sri Lanka.

1. Introduction

- 1.1 The Credit Guarantee Scheme (hereinafter referred to as "the Scheme") for the loans to be granted to the rice mill owners (hereinafter referred to as "borrowers") by PFIs, is introduced by the Administrator under the guidance of the Government of Sri Lanka (GOSL) to provide credit guarantee to the PFIs for the loans they granted to the eligible borrowers under the Scheme, to meet their working capital requirements of purchasing paddy.
- 1.2 Having considered the difficulties faced by the rice mill owners in meeting their working capital requirements, the Scheme is introduced as per the decision taken at the meeting chaired by the Hon. Prime Minister held on 07.01.2021.
- 1.3 The Administrator, provides PFIs a credit guarantee covers up to sixty percent (60%) for the loan amount, to be granted to the eligible borrowers under the Scheme. The credit risk of the balance forty percent (40%) of the loan amount is required to be borne by the PFIs.

2. Implementation of the Scheme

The Scheme is implemented by the Administrator with the participation of the PFIs..

3. The Objectives of the Scheme

The objectives of the Scheme are as follows;

- 3.1 Facilitate rice mill owners to resolve financial constraints faced by them at the time of purchasing paddy.
- 3.2 Enhance credit penetration to the identified sectors in an effective manner.
- 3.3 Increase the contribution of rice mill owners to achieve the national objective of self- sufficiency in rice by strengthening prospective rice mill owners.
- 3.4 Support PFIs to mitigate credit risk.

4. Terms and Conditions

4.1. General requirements

- 4.1.1 The PFIs that grant loans to the eligible borrowers for the purpose of purchasing paddy utilizing their own funds, are entitled to receive the credit guarantee facility under the Scheme.
- 4.1.2 The PFIs may obtain adequate collateral in order mitigate the credit risk.
- 4.1.3 The PFIs are required to get the credit guarantee approval from the administrator before granting the loans to eligible borrowers.

4.2. Area of Operation: All Island

4.3. Eligibility Criteria

- 4.3.1 PFIs are eligible to avail the concessions set out below for the working capital loans granted to the rice mill owners whose annual turnover is less than Rs. 750 million.
- 4.3.2 PFIs may grant a loan under the Scheme subject to a proper credit evaluation carried out for borrowers to bridge the financial gaps of the working capital requirement of the respective borrower, as follows;
 - 4.3.2.1 Under the Scheme, PFIs can consider granting a loan equivalent to the working capital requirement of the borrower subject to a maximum of Sri Lankan Rupees Twenty-Five million (Rs. 25 million)
 - 4.3.2.2 The maximum repayment period of the loan granted under the Scheme is Nine (09) months.
 - 4.3.2.3 Interest rate for the loans granted under the Scheme can be prevailing market rate (bank funded loans).

5. Eligible PFIs

The Scheme is implemented through Bank of Ceylon, People's Bank and Regional Development Bank.

6. Application for Credit Guarantee

- 6.1 PFIs shall ensure that
 - 6.1.1 the accuracy and the compatibility of the information provided for in Annex I (RDD/CG/RM/I)
 - 6.1.2 the eligibility of borrowers under this Scheme is duly assessed,
 - 6.1.3 all relevant documents relating to such assessment are collected, and
 - 6.1.4 the eligible borrower does not obtain more than one loan for the same rice mill during one season by obtaining written undertaking to that effect from the eligible borrower.
- 6.2 The details of the eligible borrowers under the Scheme shall be made on a separate form using the given format (RDD/CG/RM/I - Annex I) in soft version to the e mail address/es assigned by the Director, RDD through the authorised officer appointed by the head office of the PFI for the same purpose on weekly basis on or before Tuesday of each week for the preceding week for the registration.
- 6.3 If the Administrator found the information provided by the PFI in Annex I is insufficient or inaccurate, the Administrator reserves the right to refer back the relevant Annex I to the PFI and seek more information and documentation for clarification.
- 6.4 The Administrator reserves the right to refuse the registration if the information provided by the Annex I is found inaccurate or not up to the satisfaction of the Administrator.
- 6.5 The loans to the eligible borrowers shall be granted within 10 working days upon the receipt of the registration number from the RDD.

- 6.6 The PFIs shall forward the details of the disbursed loans for which they expect to obtain the credit guarantee facility under the Scheme on monthly basis on or before 10th day of each month for the preceding month, using the format given in the Annex II (RDD/CG/RM/II) to the e mail address/es assigned by the Director, RDD along with the premium applicable. PFI shall require to submit the signed hard copies of Annex I/II (already emailed) on or before 15th day of each month.
- 6.7 Once the duly completed Annex II is formally accepted, the Administrator will issue Guarantee Cover Note given in Annex III (RDD/ CG/RM/III) to PFI, subject to the completion of the payment in lieu of the guarantee premium by such PFI.

7. The Extent of Credit Guarantee

- 7.1 The Scheme will provide guarantee cover only up to sixty percent (60%) of the capital outstanding amount in loss of the loans granted under the Scheme.

8. Credit Guarantee Settlement

- 8.1 In terms of Section 108A(1) of the Monetary Law Act, the Administrator may issue guarantee, loans granted to the borrowers by the PFIs.
- 8.2 The Administrator has the authority to collect premium, pay claims and call for the recoveries after the settlement of claims and matters connected thereto.

9. Guarantee Cover

- 9.1 The guarantee cover becomes effective from the date of disbursement of the first installment of the loan granted under the Scheme by the PFI provided the guarantee premium has been paid by the PFI to the Administrator.
- 9.2 The guarantee cover will cease to be operative if, in the opinion of the Administrator that PFI had failed to observe normal care and prudence and had been negligent in the disbursement of the loan and in monitoring the account without effective recovery process/ actions.

10. Payment of Guarantee Premium

- 10.1 The premium is payable to the Administrator payment at the rate of one percent (1%) of the total amount of the loan granted under the Scheme. [Example; if the loan amount is Rs. 100, the premium will be Rs.100 at 0.01(1%premium) = Rs.1.00]
- 10.2 Failure to pay the guarantee premium disqualifies PFI to receive the guarantee cover.
 - 10.2.1 Remittance of premium shall be make a RTGS transfer to RDD Bank Account No 2- 54518 (in the narration please indicate "Bank Name" and "Scheme Name"). Details of the respective RTGS payment should be send to the Director/RDD in an Excel format through the e-mail within the day of the transfer.
- 10.3 The cost of the premium for the Credit Guarantee shall be borne by PFIs and shall not be passed on to the borrower.

11. Obligations of the PFIs

- 11.1 PFIs shall take all reasonable steps to assess the eligibility and the actual financial requirement of the borrower/ business before disbursing the loan.
- 11.2 PFIs shall assure that the borrower does not obtain more than one loan under the Scheme for the same rice mill during one season by obtaining written undertaking to that effect from the sub borrower. If any case a borrower has obtained two or more loans from different PFIs for the same rice mill during a one season, the priority in providing credit guarantee facility will be given to the first loan which was registered related to the particular borrower/s under the Scheme subject to the condition that the loan has been disbursed to the borrower/s and the applicable premium has been paid to the Administrator.
- 11.3 Further, any other loan registered for the same borrower for the same rice mill during a one season will not be guaranteed under the Scheme. However, if such loan, as indicated in the Section 11.2 above, found to be undisbursed and the premium has not been paid, the next loan registered related to the customer will be considered for providing the credit guarantee facility under the Scheme subject to the condition that the loan has been disbursed to the borrower/s and the applicable premium has been paid to the Administrator.
- 11.4 PFIs shall, at all times, exercise due care and prudence in disbursing the loan to the borrower and ensure that the loan is utilized for the purpose for which it has been granted and not used to settle the previous loans in Non-Performing Loan (NPL) category or any other purpose.
- 11.5 PFIs shall also supervise the status and the operations of the account and take prompt actions where necessary, to minimize any losses to PFIs.
- 11.6 PFIs shall take necessary and adequate measures to recover the loans granted under the Scheme.
- 11.7 PFIs shall pay the premium to the Administrator as described in Section 10 of the Operating Instructions.

- 11.8 PFIs shall keep records and furnish data and information related to each and every loan, to the Administrator.
- 11.9 PFIs are not permitted to write off any loan granted under the Scheme without prior written approval of the Administrator.
- 11.10 PFI shall implement a special internal audit actions to make sure the compliance of the all directions in this operation instruction circular, and the Administrator may request reports of such audit activities.

12. Obligations of the Administrator

- 12.1 Issue Operating Instructions of the Scheme to PFIs, subject to issuing amendments as and when necessary.
- 12.2 Issue the guarantee covers to PFIs with regard to the eligible borrowers subject to the condition that the guarantee premium shall be paid by the PFIs in terms of section 10 of this Operating Instructions.
- 12.3 Collect premium from PFIs as described in the Operating Instructions.
- 12.4 Carry out monitoring and evaluation process of the Scheme and implement necessary policy actions.
- 12.5 The Administrator reserves the right of revoking credit guarantees issued if found that PFI has violated the requirements/terms and conditions of the Scheme or prudential banking practices when granting the loans under the Scheme.

13. Reporting Overdue and Defaults

- 13.1 If the loan or any installment thereof is not repaid on the due date, PFI shall take prompt and effective steps to recover such arrears from the borrower/s.
- 13.2 When the loans granted under the Scheme, are classified as NPL in line with the applicable regulations on classification and impairment of credit facilities of Loans, Income Recognition and Provisioning, and other relevant directions issued by the Monetary Board of the Central Bank of Sri Lanka, the PFI shall submit a report before submit a claim to the Administrator giving the status of the borrower. The report shall include the following information –
 - 13.2.1 An assessment of problem/s faced by the borrower;
 - 13.2.2 An assessment of the borrower's capacity to repay the loan;
 - 13.2.3 Steps taken by PFI to recover the loan and future steps contemplated;
 - 13.2.4 The opinion of PFI regarding status of recovery / rehabilitation;
 - 13.2.5 Such other information as may be required by the Administrator.

14. Claim Procedure

- 14.1 Where any amount of the loan granted under the Scheme is in default, PFI shall send the Demand Notice to the borrower within one (1) month from the date of transferring the respective loan to the NPL category.
- 14.2 Subsequently, PFI may submit a claim to Director, RDD using the Form RDD/ CG/RM/IV (Annex IV) after the expiry of one (1) month, but not later than two (2) months from the date of which Demand Notice is served to the borrower.
- 14.3 For the purpose of Section 14.1 above, the Demand Notice may be served by way of a Letter of Demand to the defaulted borrower.
- 14.4 Certified copies of the Demand Notice issued to the defaulted borrower and evidence of the undertaking to initiate legal action shall accompany the claim application.
- 14.5 The amount in default shall be deemed to be the principle amount covered by the Guarantee.
- 14.6 On receipt of the claim form, the Administrator shall pay sixty per cent (60%) of the capital outstanding amount of the loan granted under the Scheme in two (02) installments subject to section 14.7 and 14.8. However, the Administrator reserves the right to demand the amount paid, if the Administrator found that PFI has failed or been negligent to exercise necessary supervision and actions as required under this Operating Instructions.
- 14.7 On receipt of the Claim Form in the specified format given in Annex IV (RDD/CG/RM/IV), the Administrator will pay fifty per cent (50%) of the capital outstanding amount of the loan granted under the Scheme subject to the limitation stated in Section 7.1 of the Operating Instructions. PFI shall submit a detailed report on recovery actions along with all relevant documentary evidence, to the Administrator.
- 14.8 The remaining balance after first payment i.e. fifty per cent (50%) of the claim guaranteed by the Administrator from the capital outstanding of the loan granted under the Scheme will be paid once the PFI furnishes the Form RDD/CG/RM/V (Annex V) to the Administrator with the case numbers arising from legal action, within nine (09) months from the first payment mentioned in section 14.7 above.
- 14.9 The Administrator, on case-by-case basis, may accept guarantee claims without case numbers as referred at 14.8 above, subject to PFI taking substantial recovery actions and inspection of the business by the administrator.

- 14.10 The Administrator reserves the right to recall the amounts paid for credit guarantee 1st installment if the PFI does not furnish the court case numbers with the claim form Annex V for the 2nd installment and/or substantial recovery actions by the PFI, within 09 months from the payment of first installment date

15. Defaulted Loans

- 15.1 Whenever a claim has been settled, the PFI may set-off NPL balances of loans granted under the Scheme against the credit guarantee claims paid for the respective loans.

16. Recovery Action

- 16.1 The PFIs shall have a proper internal control mechanism in place to monitor the recovery of loans under the Scheme, notwithstanding the availability of the credit guarantee.
- 16.2 The PFIs shall endeavor to take immediate and effective action to recover any overdue amount by every mean available with it and keep the Administrator informed of the action taken and progress of the project from time to time.
- 16.3 The PFIs shall take any action that may be suggested by the Administrator for the purpose of effecting recovery actions against defaulted borrowers. The PFIs shall not discontinue any recovery actions that have already been taken against such borrowers even after the settlement of a claim under the Scheme.

17. Post Claim Settlement

- 17.1 All amounts recovered from the eligible borrower, after payment of a guarantee claim shall be shared between the Administrator and the PFI in the proportion of 60:40 respectively, of which the loan loss was shared. For this purpose, the prescribed format given in Annex VI (RDD/ CG/RM/ VI) shall be used.
- 17.2 The above Form (RDD/ CG/RM/ VI - Annex VI) shall be submitted bi-annually, for the time periods of January to June and July to December by PFIs. Recovery proceeds shall be made available to the Administrator within 30 days from 30th June and 31st December each year.
- 17.3 The PFIs should maintain a register indicating the total guaranteed amount received from the Administrator and the recoveries etc. and the register must be made available to the Administrator or any other officer authorised by him to that effect, during the period of inspections.
- 17.4 The expenses incurred on loan recoveries under the Scheme including the legal cost shall have first charge on the amount recovered from the borrower. The balance amount recovered shall be shared at the rate specified in Section 17.1 above. All other charges shall be met only after the share of the Administrator is reimbursed.

18. Inspection

- 18.1. The Administrator shall, as may be necessary for the purpose of the Scheme, have the right to inspect the books of accounts and other records of the PFI pertaining to any loan guaranteed under the Scheme.
- 18.2. The PFIs shall make it a condition of each loan that the eligible borrower shall submit to the Administrator and/or GOSL such documents, books of accounts as may be requested in relation to the activity financed under the Scheme and permit the officers authorised by the Administrator and/or GOSL to inspect the project, as and when necessary.
- 18.3. The Administrator reserves the right to revoke the guarantee cover and or any payment made in settlement of claims if it is found that PFI has violated the terms and the conditions of the Scheme.

19. Furnishing of Returns and Information

The PFI shall submit such returns and furnish such information when the Administrator request information relating to any loan guaranteed under the Scheme.

20. Modification and Supplementary Provisions

- 20.1. The Administrator reserves the right to modify or withdraw the Scheme without affecting the rights or obligations arising out of any guarantee issued under the Scheme.
- 20.2. The Administrator reserves the right to provide the PFIs with necessary guidelines on the implementation of the Scheme, where necessary.
- 20.3. In respect of any matter not specifically provided in the Scheme, Administrator shall make such supplementary or additional provisions as may be necessary for the purpose of the Scheme.

The effective date of the Scheme is 01.09.2021.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department
Central Bank of Sri Lanka

RDD/CG/RM/I - Annex I

**Credit Guarantee Scheme for the Rice Mill Owners in Sri Lanka (CGRMO)
Application for Registration**

Serial No.	Name of the PFI	Branch of the PFI	Branch Code	District	Status of the Applicant 1	Name of the Applicant/ Partners/ Directors	NIC No.	Gender	Contact No./s	Name of the Business	Business Registration No. (if any)	Complete Address/ Location of the Business or Head Office	District of the Business or Head Office	Loan Requirement (Rs.)	Recommended Loan Amount by PFI (Rs.)	Approved Loan Amount by CBSL2 (Rs.)

I certify that the above applicants are eligible to receive a loan under this loan scheme as per the operating instructions of the loan scheme and all the particulars of the applicants are accurate.

Note: (Hardcopy shall be in A3 paper)

1. Individual (I), Partnership (P), Limited Liability Company (L), Other (O)
2. To be completed by the CBSL

RDD/CG/RM/II - Annex II

Credit Guarantee Scheme for the Rice Mill Owners in Sri Lanka (CGRMO)**Premium Statement**

Bank :

Branch Code :

Branch :

District:

Serial No.	Registration No. assigned by the CBSL	Name of the Applicants / Partners / Directors	NIC No.	Business Registration No.	Approved Loan Amount by the CBSL (Rs.)	Loan Released Amount by the PFI (Rs.)	Date of Loan Released by the PFI	Due Premium (1 per cent of the total Loan Amount) Rs.

Name of Branch Manager :

Date:

Signature of Branch Manager :

Branch Stamp:-

Annex III**RDD/ CG/RM/III****Credit Guarantee Scheme for the Rice Mill Owners in Sri Lanka (CGRMO)**

CENTRAL BANK OF SRI LANKA

CREDIT GUARANTEE COVER NOTE**CBSL Ref No**

This guarantee cover note is issued to certify that the loan amount granted on (dd/mm/yyyy) of

Rupees (amount in words)

(Rs) (amount in numbers)

granted by (name of branch) of the (name of the Licensed Bank)

has been guaranteed under the Credit Guarantee Scheme for the Micro, Small and Medium

Scale Rice Mill Owners in Sri Lanka (CGRMO) as per the terms and conditions of Operating Instructions No RDD/CG/RM/2021/01 dated

..... 2021, its subsequent amendments, if any and the Agreement dated entered into by and between the Monetary Board of the Central Bank of Sri Lanka and the (name of the Licensed Bank).

.....

Date

.....

Director

Regional Development Department

RDD/CG/RM/IV - Annex IV

Credit Guarantee Scheme for the Micro, Small and Medium Scale Rice Mill Owners in Sri Lanka (CGRMO)

Claim Application for Credit Guarantee 1st Installment

Bank :

Branch Code :

Branch :

District:

Serial No.	Registration No. assigned by the CBSL	NIC No. / Business Registration No.	Amount Granted (Rs.)	Amount Recovered (Rs.)	*Outstanding Capital Amount as at Reporting Date (Rs.)	Legal Action Taken (Mediation Board Case No.)	Date on which Legal Action Taken (DD/MM/YY)
Total							

* Interest and other charges should not be included in the Credit Guarantee claim 1st instalment.

Name of Branch Manager :

Date :

Signature of Branch Manager :

Branch Stamp:-.....

RDD/CG/RM/V - Annex V

Credit Guarantee Scheme for the Micro, Small and Medium Scale Rice Mill Owners in Sri Lanka (CGRMO)

Claim Application for Credit Guarantee 2nd Installment

Bank :

Branch Code :

Branch :

District:

Serial No.	Registration No. assigned by the CBSL	NIC No. / Business Registration No.	Amount Granted (Rs.)	Amount in Loss (Rs.)	*Recoveries after Submission of 1st Claim (Rs.)	Legal Action taken against Willful Defaulters			Net Loss (Rs.)
						Date of Case Filed (DD-MM-YY)	Name of the Court	Arbitration Case No.	
Total									

*Excluding Capitalized Interest

Name of Branch Manager :

Date :

Signature of Branch Manager :

Branch Stamp:-.....

RDD/CG/RM/VI - Annex VI

Credit Guarantee Scheme for the Micro, Small and Medium Scale Rice Mill Owners in Sri Lanka (CGRMO)

Details of Loan Recoveries

Bank :

Branch Code :

Branch :

District:

Serial No.	Registration No. assigned by the CBSL	NIC No. / Business Registration No.	Granted Loan Amount (Rs)	Amount Settled as Credit Guarantee (Rs)	Amount Recovered from the Borrower (Rs)	Amount to be Remitted to Central Bank (Rs)
Total						

Name of Branch Manager :

Date :

Signature of Branch Manager :

Branch Stamp:

Operating Instructions No: RDD/PR/2010/03 (A-06)

Regional Development Department
Central Bank of Sri Lanka
PO Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
01.09.2021

To: All Participating Financial Institutions (PFIs)

**AMENDMENT TO THE OPERATING INSTRUCTIONS OF THE PROSPERITY LOAN SCHEME (SAUBAGYA)
PROVISION FOR SECOND LOAN AND SIMPLIFICATION OF THE SUBMISSION OF REGISTRATION
FORMS TO REGIONAL DEVELOPMENT DEPARTMENT OF THE CENTRAL BANK OF SRI LANKA**

This refers to the Operating Instructions (OIs) No. RDD/PR/2010/03 dated 22.03.2010 (as amended time to time) issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) for the Prosperity Loan Scheme (Saubagya).

Considering the prevalent requirements on making a provision for obtaining loans to the beneficiaries more than one time under the Saubagya Loan Scheme with the maximum accumulated amount as Rs. 25.0 million by considering the progress of the business along with the loan repayment and the significance of having an effective and efficient implementation mechanism with simplifying the loan registration and refinancing process for the Prosperity Loan Scheme (Saubagya) implemented by the RDD through expeditious loan registration and refinancing process, the OIs No. RDD/PR/2010/03 dated 22.03.2010 and the subsequent amendments issued by the Director, RDD of the CBSL are hereby complemented and amended as follows;

- I. Following new criteria is introduced to the sub section 3.2 of section 3 of the Principal Operating Instructions (OIs) No. RDD/PR/2010/03 dated 22.03.2010 (as amended time to time) :**

3. Loan Scheme

3.2 Loan Limit: Loans granted to the Small and Medium Scale Enterprises (SMEs), for exceptional cases, are eligible to receive refinance from the CBSL up to a maximum of Rs. 25.0 million per sub project.

(It is possible to consider for a second loan with the maximum loan amount up to Rs. 25.0 million who has been facilitated less than the maximum limit according to the section 7.10).

- II. Section 7 and 10 of the Principal Operating Instructions (OIs) No. RDD/PR/2010/03 dated 22.03.2010 (as amended time to time) are amended as follows:**

7. Registration of Sub-Borrowers

- 7.1 The branch manager should prepare a complete registration form given in Annex A in duplicate in respect of each loan applicant and forward it to respective PFI Head Office.
- i. Registration of total amount of sub loans; above Rs. 1.0 million:
PFI Head Offices are requested to forward the Annex A and duly certified copies of loan registration application along with relevant documents including credit appraisal report to CBSL
 - ii. Registration of total amount of sub loans; Rs. 1.0 million and below: PFI Head Offices should send only Annex B (as described in 7.2)
- 7.2 The Head Office of the PFI shall forward details of the sub-borrowers, eligible to obtain loans under the Scheme, by submitting duly completed Loan Registration List (Annex B) signed by the authorised officer of the PFI to the RDD. Soft copy of Annex B shall be sent to the email address issued by the RDD, along with hard copy. List of Details of the Loan Application should be submitted separately as follows;
- (i) List of loans amount above Rs. 1.0 million.
 - (ii) List of loans amount of Rs.1.0 million and below.
- 7.3 PFIs shall ensure;
- (i) the accuracy and compatibility of the information provided in Annex A and B;
 - (ii) the eligibility of sub-borrowers under the Scheme is duly assessed; and
 - (iii) that all relevant documents relating to such assessment are collected.
- 7.4 PFIs shall keep all supporting documents and records for the legally stipulated relevant time period, in the event any further inspection or clarification is required under Section 7.3 above.
- 7.5 On receipt of Annex A (only for loans above Rs 1 million) and Annex B along with other necessary documents from the PFI Head Offices, CBSL will verify the details contained therein and determine the eligibility of sub-borrowers and the loan amount to be disbursed. Accordingly, CBSL will register the eligible sub-borrowers under the Scheme.
- 7.6 Upon registration of a sub-borrower, CBSL allocate a designated Registration Number for each sub-loan and notify such Registration Number to the Head Office of the respective PFI. This Registration Number, unique for each sub-borrower, shall be used for any correspondence with the CBSL with respect to such borrower.
- 7.7 If CBSL observes any discrepancy and/or inaccuracy of information submitted in Annex A or B, CBSL reserves the right to cancel the registration of the respective sub-borrower whose information is found to be inaccurate, without any prior notice to the PFI.
- 7.8 The CBSL reserves the right to refer back the registration application to the PFI, in the event any further information or clarification is required by CBSL, for the purpose of registering such application.
- 7.9 Duly completed hard copy of the registration form (Annex A) along with documents mentioned in Section 7.1 (i) and List of Details of the Loan Application of the Borrowers (Annex B) mentioned in Section 7.1 (ii) should be sent through the Head Office of the PFI to the following address for registration of the loan applicant whilst sending soft version.
- The Director
Regional Development Department The Central Bank of Sri Lanka
No: 30, Janadhipathi Mawatha, Colombo 01.
- 7.10 The PFI shall decide for offering a second loan on the request of the borrower with the maximum accumulated amount as Rs. 25.0 million considering the performance of the business and first loan of the beneficiary. Duly completed Annex C shall be sent as per section 7.1. Other procedure and clauses of a second loan is same as mentioned in OIs No. RDD/PR/2010/03 dated 22.03.2010 (as amended time to time).

10. Applications for Refinance

- 10.1 Duly completed list of sub-borrower/s for whom the PFI is expected to obtain refinance should be submitted with one refinance application to RDD by the Head Office of the PFI on 15th and as at end of each month (twice a month), along with one set of other legal documents for the total amount in hard and soft version to the address aforementioned in section 7.09 and email address issued by the RDD. The refinance application should be accompanied by the following documents.
- (i) Application for Refinance (Appendix I)
 - (ii) Statement of Loan Disbursements (Appendix II as amended)
 - (iii) Demand Promissory Note (Appendix III) (with relevant stamp duty)

- (iv) Delivery Letter (Appendix IV)
- (v) Credit Institution’s Assignment (Appendix V)
- (vi) Disbursement Letter (Appendix VI)

10.2 Refinancing facilities will be released by the RDD after verification of the details of the borrowers and the legal documents.

Other clauses of the OIs remain unchanged.

This amended Operating Instructions will be effective immediately.

Please bring the contents of this amendment to the OIs to the notice of the officers of the relevant departments/branches of your bank.

Yours faithfully,
 Sgnd. B L J S Balasooriya
Director
Regional Development Department
Central Bank of Sri Lanka

Annex A

Registration No :

SAUBAGYA LOAN SCHEME LOAN REGISTRATION FORM

1. Name/Branch of PFI	
2. Address of the Branch	
3. Telephone/Fax No.	

4. Status of Applicant/s : Individual Partnership Others

5. Name and Address of Applicant/Partner/Director

Name	Address	NIC No.	Gender	Highest Educational Qualification

6. Loan Category (First/Second Loan)

7. Complete Address/Location of the Project Site :

.....

8. District:

9. Type of Project: Small Medium

10. Brief description of the Project to be finance under Saubagya Loan Scheme (Purpose of the Loan).

.....

11. Estimated Cost of the Project	
12. Borrowers’ Equity Contribution	
13. Required Loan Amount	
14. Amount Recommended/Approved by the PFI	

I certify that the proposed project described at 10 above has been examined by me/credit officer and found that it has a sufficient cash flow for profitability and hence recommended for finance under the Saubagya Credit Scheme.

Date :

.....
 Signature of Branch Manager/Rubber Stamp

SAUBAGYA LOAN SCHEME – RECOMMENDATION FOR SECOND LOAN

1	Name/Branch of PFI	
2	Address of the Branch	
3	Telephone/Fax No.	

4. Status of Applicant/s : Individual Partnership

5. Name and Address of Applicant/Partner/Director

Name	Address	NIC No.	Gender	Highest Educational Qualification

6. Amount of the Loan obtained under Initial/ First loan Category:

Rs.

7. Date and CBSL Registration/Refinance No. of the First Loan:

7.1 Registration: No Date

7.2 Refinancing: No Date

8. Amount required under Second Loan Category:

9. Brief description of the Project to be finance under the second loan category (Purpose of the Loan):

.....

10. Status of the Repayment (satisfied or dissatisfied):

11. Performance of the business after obtaining the initial loan (satisfied or dissatisfied):

I certify that the proposed project described at 9 above has been examined by me/credit officer and found that it has a sufficient cash flow for profitability and well performed and hence recommended for finance under the second loan category of the Saubagya Loan Scheme.

Date :

.....
 Signature of Branch Manager/Rubber Stamp

APPENDIX I

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

Address:

Date:

APPLICATION FOR REFINANCE UNDER

THE "SAUBAGYA" LOAN SCHEME

To: The Central Bank of Sri Lanka.

Gentlemen

We, a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees

..... (Rs.)
 under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/2010/03 dated 22/03/ 2010.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the 'Prosperity' Special Credit Scheme for agriculture, livestock and MSMEs. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of instalments) (monthly/quarterly/ half yearly [state frequency]) instalments each of Rs. the first of which shall be payable on day of 20.....
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to borrowers mentioned in paragraph 3 above are within their borrowing powers; and
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

Signature
 Name and description of the Authorised Officer(s)
 of the PFI
 Manager, Refinance Unit.

APPENDIX II

REFINANCE APPLICATION NO

**STATEMENT OF LOANS DISBURSED UNDER THE
THE 'SAYBAGYA' SPECIAL LOAN SCHEME**

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

To : Central Bank of Sri Lanka
 From : Refinance Unit
 PFI : District :

Branch : District :

Enquiry Number	Name, Address & NIC Number of The Borrower	Project Description & Purpose of Loan	Category of The Loan (First / Second Loan)	Sub-Loan Amount (Rs.)	Amount Disbursed (Rs.)	Date Of Disbursement	Disbursed Amount For Which Refinance Is Sought (Rs.)	Grace Period	Repayment Schedule			
									Instalment		Due Date for first Instalment	Due Date for Last Instalment
									No. of Instalments	Value of Instalment (Rs)		
Total												

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in half yearly installments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

.....
 Signature of Authorised Officer

ANNEX IV

REFINANCE APPLICATION NO. :-

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

DEMAND PROMISSORY NOTE

Colombo.

Date:

Rs.

On demand, we, the undersigned

(name and address of the Participatory Financial Institution)

hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupees

..... (Rs.....) currency for value received, with interest thereon, at the rate of per centum per annum from the date hereof.

.....
For (Name of the PFI)

REFINANCE UNIT

HEAD OFFICE

.....
(Stamp)

1.

2.

(Signature of the Authorised Officer)

WITNESSES:

1.

2.

APPENDIX IV

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees

..... (Rs.....) with the object of granting financial accommodation to us in respect of lending operations carried out by us under the Credit Scheme (Saubagya Loan Scheme) referred to in your Operating Instructions NoRDD/PR/2010/03 dated 22/03/2010 we herewith deliver to you our Promissory Note in your favour for Rs.....

(Rs.....) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonour in respect of our said Promissory Note.

For (Name of the Participating Financial Institution)

REFINANCE UNIT, HEAD OFFICE

1.

2.

(Name and Signature of the Authorised Officer)

ANNEX V

REFINANCE APPLICATION NO.....

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/2010)

**FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE
MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA
UNDER SECTION 88A OF THE MONETARY LAW ACT***

Colombo.

Date:

We,

(Name and address of Participatory Financial Institution) in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees

(Rs.....) granted to us by the Bank repayable with interest at percent per annum.

SCHEDULE

Amount of Debt (Rs.)	Borrower's Name & Address	Date	Notary

.....
Signature of the Authorised Officer
For (name of the PFI)
REFINANCE UNIT
HEAD OFFICE

* To be used by Licensed Commercial Banks and Licensed Specialized Banks only.

Annex VII

DISBURSEMENT LETTER

(To Operating Instructions No RDD/PR/2010/03 dated 22/03/ 2010)

Bank Name

Bank Code No:

Branch Name:

Branch Code No:

Serial No. of the Loan:

Date:

Disbursement:

*

1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	----

**STATEMENT OF LOANS DISBURSED UNDER
THE 'SAUBAGYA' LOAN SCHEME**

Enquiry Number:

1. Particulars of the Borrower

1.1 Name of the Borrower :

1.2 Address of the Borrower :

2. Particulars of the Loan

2.1 Purpose of the Loan :

2.2	Location of the Sub-project :	
2.3	Total amount of loan sanctioned : originally	Rs.
	Subsequent enhancement of loan for cost overruns	Rs.
		Rs
	Total	Rs
2.4	Date of original sanction of loan	:
	Date of sanction of enhancement of loan	:
2.5	Repayment Programme for the installment for which refinance was applied for :	
	Date	Amount (Rs.)
2.6	Rate of interest:	

3. Status of Loan:

3.1	Amount released previously)	Rs
	and refinance claimed from the CBSL)	
3.2	Amount now released and for which)	Rs
	refinance is sought)	
	Total		Rs

I certify that the particulars given above are true and correct.

Date : _____ Signature of Branch Manager
Name of Branch Manager

* Please indicate whether it is 1st, 2nd or any other installment by putting a cross in the appropriate box.

Ref No: 32/04/034/0001/001

10.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs) of SCRF

Dear Sir/Madam,

(1) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.

(2) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS.

This is further to the letters issued on 24.03.2021 and 09.06.2021 on the above subjects, respectively, by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL).

2. Extended Concessions for the loans granted under the Saubagya COVID 19 Renaissance Facility (SCRF)

- 2.1. In line with the Section 09 of the Monetary Board Circular No. 08 of 2021 dated 01.09.2021 issued by the Monetary Board of the Central Bank of Sri Lanka (The Monetary Board Circular) (Annex A), it has been decided to extend the debt moratorium facility of the SCRF Phase I, II and III up to 31.12.2021 on case-by-case basis.
- 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, as defined in the Monetary Board Circular, on case by case basis.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIs on or before 30.09.2021. Participating Financial Institutions (PFIs) shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format (RDD-SCRF-10.09.2021- Annex I) to the Director of RDD by 15.10.2021. Soft copy of the details in Excel format shall be sent to bashika@cbsl.lk and sehan@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rate of 4 per cent per annum as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of Saubagya SCRF Phase I, II and III.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower of SCRF Phase I, II and III, has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.
- 3.4. These guidelines on interest computation is applicable for the loans for which the concessions granted by the letters dated 24.03.2021 and 09.06.2021, as well.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted borrowers of the SCRF Phase I, II and III.
- 4.2. PFIs are required to send Credit Guarantee claims to the RDD after taking all required recovery actions relevant to that claims as stipulated in the prevailing Operating Instructions of the SCRF Phase III.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.
6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with these instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the SCRF Schemes.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department

RDD-SCRF- 10.09.2021 - Annex I

"SAUBAGYA COVID-19 RENAISSANCE FACILITY"

Details of Extension of Concessions Provided for Businesses and Individuals

Phase :

Name of the PFI:

#	CBSL Registration No.	CBSL Refinance No. (if applicable)	Name of the Borrower/s	NIC/BR	Approved Loan Amount by the CBSL (Rs.)	Loan Released Amount by the PFI (Rs.)	Date of Loan Released by the PFI	Date of Refinance granted by the CBSL (For SCRF Phase I and II)	Concession Extended Date by the PFI	Existing Repayment Period of the Loan*	Debt Moratorium			Requested Moratorium Facility (Capital only/Capital and Interest Both)**	Sector (Tourism/ Other)**
											Initial Grace Period (GP) provided for the loan (No. of months)	End date of the Debt moratorium previously granted (if any)	Requested new Debt Moratorium period (No. of months)		

* After the Debt Moratorium granted by the letter dated 09.06.2021 . (Please note repayment period shall not be extended by this debt moratorium)

** Pls, mention as appropriate

Ref No: 32/04/034/0001/001

10.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/Madam,

INSTRUCTIONS FOR THE CREDIT GUARANTEE CLAIMS UNDER LOAN SCHEMES IMPLEMENTED BY REGIONAL DEVELOPMENT DEPARTMENT OF THE CENTRAL BANK OF SRI LANKA

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the circular Monetary Board Circular No. 08 of 2021 dated 01.09.2021 on concessions for COVID19 affected business and individuals. As per the section 2(c) of the aforementioned circular, Licensed Banks shall suspend all types of recovery actions until 31.12.2021, against credit facilities.

Accordingly, Participating Financial Institutions (PFIs) are requested to initiate all required recovery actions whose loans are identified as Non-Performing Loans, within one month after 31.12.2021 under the following Credit Guarantee loan schemes.

- New Comprehensive Rural Credit Scheme (NCRCS)
- Saubhagya COVID19 Renaissance Facility (SCRF) Phase III Scheme
- Credit Guarantee Scheme for Working Capital Loans to be granted to the Small and Medium Scale Entrepreneurs

Further, PFIs should send the Credit Guarantee claims to the Regional Development Department of the CBSL, after taking all required recovery actions as stipulated in the Operating Instructions of the loan schemes.

Please bring the contents of this letter to the notice of the officers of the relevant departments/ branches of your bank

Yours faithfully,
B L J S Balasooriya

Director
Regional Development Department

21.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs) of Smallholder Tea and Rubber Revitalization (STaRR) Project

Dear Sir/Madam,

CONCESSIONS TO BE GRANTED FOR THE LOANS OBTAINED UNDER THE SMALLHOLDER TEA AND RUBBER REVITALIZATION (STARR) PROJECT IN TERMS OF THE MONETARY BOARD CIRCULAR NO. 08 OF 2021 DATED 01.09.2021

As you are already aware, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the Circular No. 08 of 2021 dated 01.09.2021 (Monetary Board Circular) to provide debt moratorium for the individual and businesses affected by the COVID19 pandemic, with the intention of supporting the economic recovery of the country (Annex A). Accordingly, your kind attention is drawn to the following.

2. Debt Moratorium to be provided under the STaRR Project

- 2.1. In line with the Section 09 of the Monetary Board Circular, it has been decided to provide a debt moratorium facility for the loans granted under the STaRR Project from 01.09.2021 up to 31.12.2021 on case-by-case basis.
- 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, on case by case basis.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant Participating Financial Institutions (PFIs) on or before 15.10.2021. PFIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the concessions and report the details separately for the loan scheme as per the attached format (RDD-STaRR- 21.09.2021- Annex I) to the Director of Regional Development Department (RDD) and the Project Management Unit of STaRR Project by 31.10.2021. Soft copy of the details in Excel format shall be sent to gihan@cbsl.lk and sewwandi@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rates as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of STaRR Project.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted sub-borrowers of the STaRR Project.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.
6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with these instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the STaRR Project.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department

- Cc; 1. Project Director, Smallholder Tea and Rubber Revitalization Project
2. The Secretary, Ministry of Plantation

RDD-SAPP- 21.09.2021- Annex I

**“SMALLHOLDER TEA AND RUBBER REVITALIZATION PROJECT”
DETAILS OF EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS**

Name of the PFI:

#	Branch Name	PMU Registration No.	Name of the Borrower	NIC	Approved Loan Amount (LKR)	1st Disbursement		Loan Cycle (Months)	Debt Moratorium/Grace Period		Outstanding Loan Amount at the beginning of the Requested Debt Moratorium/Grace Period (LKR)		Requested Moratorium Facility (Capital only/Capital and Interest Both) *
						Disbursed Loan Amount (LKR)	Disbursed Date		Existing (No. of months)	Requested (No. of months)	Capital	Interest	

* Pls, mention as appropriate

21.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs) of SAPP

Dear Sir/Madam,

**CONCESSIONS TO BE GRANTED FOR THE LOANS OBTAINED UNDER THE LOAN SCHEMES
IMPLEMENTED UNDER THE SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PRAGRAMME (SAPP) IN TERMS
OF THE MONETARY BOARD CIRCULAR NO. 08 OF 2021 DATED 01.09.2021**

As you are already aware, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the Circular No. 08 of 2021 dated 01.09.2021 (Monetary Board Circular) to provide debt moratorium for the individual and businesses affected by the COVID19 pandemic, with the intention of supporting the economic recovery of the country (Annex A). Accordingly, your kind attention is drawn to the following;

2. Debt Moratorium to be provided under the SAPP Loan Schemes

- 2.1. In line with the Section 09 of the Monetary Board Circular, it has been decided to provide a debt moratorium facility for the loans granted under the SAPP Loan Schemes from 01.09.2021 up to 31.12.2021 on case-by-case basis.
- 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, on case by case basis.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant Participating Financial Institutions (PFIs) on or before 15.10.2021. PFIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format (RDD-SAPP-21.09.2021 - Annex I) to the Director of Regional Development Department (RDD) with a copy to the Project Management Unit of SAPP by 31.10.2021. Soft copy of the details in Excel format shall be sent to bashika@cbsl.lk and indeewarie@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rates as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of SAPP Loan Schemes.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted sub-borrowers of the SAPP Loan Schemes.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.

6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with these instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the SAPP Loan Schemes.

Yours faithfully,

B L J S Balasooriya

Director

Regional Development Department

Cc; 1. Dr. (Mrs.) Yasantha Mapatuna, Programme Director/SAPP
2. The Secretary, Ministry of Agriculture

RDD-SAPP- 21.09.2021 - Annex I

**“SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME”
DETAILS OF DEBT MORATORIUM REQUESTS FOR COVID19 AFFECTED BUSINESSES AND INDIVIDUALS**

Loan Scheme :

Name of the PFI:

#	CBSL Registration No.	CBSL Refinance No. (if applicable)	Name of the Borrower/s	NIC/BR	Approved Loan Amount by the CBSL (Rs.)	Loan Released Amount by the PFI (Rs.)	Date of Loan Released by the PFI	Date of Refinance granted by the CBSL	Repayment Period	Initial Grace Period provided for the loan (No. of months)	Debt Moratorium			
											Requested Debt Moratorium period (No. of months)	Ending date of the Debt Moratorium	Requested Moratorium Facility (Capital only/ Capital and Interest Both)*	

* Pls, mention as appropriate

Ref No: 32/04/034/0001/001

23.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs) of SCRF

Dear Sir/Madam

(1) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY.**(2) SAUBAGYA COVID 19 RENAISSANCE FACILITY: EXTENSION OF CONCESSIONS.**

This is further to the letters issued on 24.03.2021, 09.06.2021 and 10.09.2021 on the above subjects by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL).

2. Extended Concessions for the loans granted under the Saubagya COVID 19 Renaissance Facility (SCRF) for Businesses and Individuals in the Tourism Industry.

- 2.1. In line with the Monetary Board Circular No. 10 of 2021 dated 13.09.2021 issued by the Monetary Board of the CBSL (The Monetary Board Circular) (Annex A), it has been decided to extend the debt moratorium facility for the tourism sector under the SCRF Phase I, II and III up to 30.06.2022 on case-by-case basis.
- 2.2. The borrowers of the tourism sector who did not avail themselves of the maximum repayment period of 36 months extended by the letter of the DRD dated 09.06.2021 to increase their repayment period up to 36 months including the grace period, on case-by-case basis, considering the impact of the debt moratorium granted.
- 2.3. In case of SCRF Phase III Credit Guarantee Scheme, charge an additional credit guarantee fee of zero point two five percent (0.25 %) from Participatory Financial Institutions (PFIs) on the loans extended the repayment period.
- 2.4. Businesses and individuals registered with following institutions are eligible to obtain this extension of concessions.
 - i. Ministry of Tourism
 - ii. Sri Lankan Tourism Development Authority
 - iii. Agencies under Sri Lanka Tourism Development Authority
 - iv. Department of Cultural Affairs
 - v. The Hotel Association of Sri Lanka
- 2.3 Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, as defined in the Monetary Board Circular, on case by case basis.
- 2.4 Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant PFIs on or before 20.10.2021. Participating Financial Institutions (PFIs) shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.5 Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for each Phases of the scheme as per the attached format (RDD-SCRF-22.09.2021- Annex I) with the guarantee premium of zero point two five percent (0.25 %) for each sub loan under SCRF Phase III, to the Director of RDD by 30.10.2021. Soft copy of the details in Excel format shall be sent to bashika@cbsl.lk and sehan@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1 All PFIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rate of 4 per cent per annum as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of Saubagya SCRF Phase I, II and III.
- 3.2 In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.

- 3.3 If any sub-borrower of SCRF Phase I, II and III, has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.
- 4. Execute the Recovery Actions for Non-Performing Loans (NPLs)**
- 4.1 In line with the Section B.3 of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 30.06.2022, on defaulted borrowers of the SCRF Phase I, II and III.
- 4.2 PFIs are required to send Credit Guarantee claims to the RDD after taking all required recovery actions relevant to that claims as stipulated in the prevailing Operating Instructions of the SCRF Phase III.
- 5. Providing Concessions for the loans in the NPL Category**
- 5.1 PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.
6. Further to the concessions given to SCRF by RDD letter Ref No: 32/04/034/0001/001 dated 10.09.2021, extend the repayment period by 12 months by providing a maximum repayment period of 36 months including the grace period to the sub-borrowers under the loan granted SCRF Phase I, II and III on case-by-case basis. In case of SCRF Phase III Credit Guarantee Scheme, charge an additional credit guarantee fee of zero point two five percent (0.25 %) from PFIs on the loans extended the repayment period. The guarantee premium for each sub loan under SCRF Phase III, shall be sent to the Director of RDD by 30.10.2021 with the details mentioned in the letter dated 10.09.2021.
7. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with these instructions.
8. Please bring the contents of this letter to the notice of the officers of the relevant departments/ branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the SCRF Schemes.

Yours faithfully,

B L J S Balasooriya
Director
Regional Development Department

**“SAUBAGYA COVID-19 RENAISSANCE FACILITY”
DETAILS OF EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS OF THE TOURISM SECTOR**

Phase :

Name of the PFI:

CBSL Registration No.	CBSL Refinance No. (if applicable)	Name of the Borrowers	NIC/BOR	Approved Loan Amount by the CBSL (Rs.)	Loan Released Amount by the PFI (Rs.)	Date of Loan Released by the PFI	Date of Refinance granted by the CBSL (For SCRF Phase I and II)	Concession Extended Date by the PFI	Capital Outstanding to be rescheduled	Due premium* (0.25 per cent of the total initial loan amount)	Grace Period (GP)/Debit Moratorium (DM)			Repayment Period Including the GP/DM			Requested Moratorium Facility (Capital only/Capital and Interest and Both)**	
											Initial GP provided for the loan (No. of months)	End date of the DM previously granted (if any)	Requested new DM period (No. of months)	Ending date of the GP/DM	Original/ Existing (No. of months)	Requested (No. of months)		New Repayment Period (No. of months)

* Applicable only for the loans which have requested to extended the repayment period under SCRF Phase III

** Pls, mention as appropriate

27.09.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs) of Supply Chain Re-Energizing Loan Scheme (SCREL)

Dear Sir/Madam

**CONCESSIONS TO BE GRANTED FOR THE LOANS OBTAINED UNDER THE SUPPLY CHAIN
RE- ENERGIZING LOAN SCHEME (SCREL) IN TERMS OF THE MONETARY BOARD
CIRCULAR NO. 08 OF 2021 DATED 01.09.2021**

As you are already aware, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the Circular No.08 of 2021 dated 01.09.2021 (Monetary Board Circular) to provide debt moratorium for the individual and businesses affected by the COVID-19 pandemic, with the intention of supporting the economic recovery of the country (Annex A). Accordingly, your kind attention is drawn to the following.

2. Debt Moratorium to be provided under the SCREL Loan Scheme

- 2.1. In line with the Section 09 of the Monetary Board Circular, it has been decided to provide a debt moratorium facility for the loans granted under the SCREL Loan Scheme from 01.09.2021 up to 31.12.2021 on case-by-case basis.
- 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, on case by case basis.
- 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant Participating Financial Institutions (PFIs) on or before 20.10.2021. PFIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 2.4. Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the concessions and report the details separately for the loan scheme as per the attached format (RDD-SCREL- 27.09.2021- Annex I) to the Director of RDD by 30.10.2021. Soft copy of the details in Excel format shall be sent to lakminiws@cbsl.lk and chamali@cbsl.lk with a copy to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods

- 3.1. All PFIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rates as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of SCREL Loan Scheme.
- 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the sub-borrower and pay the difference to the relevant sub-borrowers.
- 3.3. If any sub-borrower has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.

4. Execute the Recovery Actions for Non-Performing Loans (NPLs)

- 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted sub-borrowers of the SCREL Loan Scheme.

5. Providing Concessions for the loans in the NPL Category

- 5.1. PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.

6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with these instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the SCREL Loan Scheme.

B L J S Balasooriya
Director
Regional Development Department

- Cc; 1. Director General, Sri Lanka Tea Board, 574, Galle Road, Colombo 03.
2. Ministry of Plantation, Secretary, 11th Floor, Sethsiripaya 2nd Stage, Battaramulla.

RDD-SCREL- 27.09.2021 - Annex I

**“SUPPLY CHAIN RE-ENERGIZING LOAN SCHEME (SCREL)”
DETAILS OF EXTENSION OF CONCESSIONS PROVIDED FOR BUSINESSES AND INDIVIDUALS**

Name of the PFI:

#	CBSL Registration No	CBSL Refinance No. (if applicable)	Name of the Borrower/s	NIC/BR & MF No.	Approved Loan Amount by the CBSL (Rs.)	Loan Released Amount by the PFI (Rs.)	Date of Loan Released by the PFI	Repayment Period	Date of Refinance granted by the CBSL	Debt Moratorium		
										Requested Debt Mort. Period (No. of Months)	Ending Date of the Debt Moratorium	Requested Moratorium Facility (Capital only/ Interest both)

* Pls, mention as appropriate

Note: Repayment period shall not be extended by this debt moratorium.

Operating Instructions No: RDD/SAPP/4P/2019/01 (Amendment - 02)

30.09.2021

TO: All PFIs of SAPP Loan Schemes

Dear Sir/Madam,

**SECOND AMENDMENT TO OPERATING INSTRUCTIONS FOR THE 4P LOAN SCHEMES UNDER
SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP)**

All Participating Financial Institutions of the 4P Loan Schemes under Smallholder Agribusiness Partnerships Programme (SAPP) are hereby informed that the Operating Instructions No. RDD/SAPP/4P/2019/01 dated 06.08.2019 (As amended on 03.11.2020) which have been issued further to the Operating Instructions No. RDD/SAPP/4P/2018/01 dated 10.04.2018 (as amended on 05.12.2018), have been amended as below.

1. **“Registration of Borrowers” specified in the Section 9 (d) of the Operating Instructions shall be repealed and substituted therefor;**

“If the borrower is obtaining a loan under 4P Youth Loan Scheme, 4P Promoter Loan Scheme and 4P Promoter Bulk Loan Scheme, PFI should forward duly completed Annex I(a) [i or ii] and Annex I(b) [i or ii] for each borrower, as appropriate, to the RDD of the CBSL through PMU.

However, if the borrower is obtaining a loan **below Rs.1,000,000** under **4P Youth Loan Scheme**, **PFI must retain duly completed Annex I(a) [i]** with respect to each and every borrower and **should direct duly completed Annex I(b) [i]** to the RDD of the CBSL through PMU.”

All other terms and conditions of the Operating Instructions (as amended) will remain unchanged.

The effective date for this amendment is 30.09.2021.

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

Yours faithfully,

B L J S Balasooriya

Director

Regional Development Department

Copy : Dr (Mrs) Yasantha Mapatuna, Programme Director, SAPP

Operating Instructions No: RDD/SAPP/RF/2019/01 (Amendment - 02)

30.09.2021

TO: – All PFIs of SAPP Loan Schemes

Dear Sir/Madam,

**SECOND AMENDMENT TO OPERATING INSTRUCTIONS FOR THE RF LOAN SCHEMES UNDER
SMALLHOLDER AGRIBUSINESS PARTNERSHIPS PROGRAMME (SAPP)**

All Participating Financial Institutions of the RF Loan Schemes under Smallholder Agribusiness Partnerships Programme (SAPP) are hereby informed that the Operating Instructions No. RDD/SAPP/RF/2019/01 dated 06.08.2019 (As amended on 03.11.2020) which have been issued further to the Operating Instructions No. RDD/SAPP/RF/2018/01 dated 10.04.2018 (as amended on 05.12.2018), have been amended as below.

1. **“Registration of Borrowers” specified in the Section 9 (d) of the Operating Instructions shall be repealed and substituted therefor;**

“If the borrower is obtaining a loan under RF Youth Loan Scheme, RF Promoter Loan Scheme, RF Promoter Bulk Loan Scheme and RF Tea & Rubber Sector Loan Scheme, PFI should forward duly completed relevant Annex I(a) [i or ii] and Annex I(b) [i or ii] for each borrower, as appropriate, to the RDD of the CBSL through PMU.

However, if the borrower is obtaining a loan **below Rs.1,000,000** under **RF Youth and RF Tea & Rubber Sector Loan Schemes**, **PFI must retain duly completed Annex I(a) [i or ii]** with respect to each and every borrower and **should direct duly completed Annex I(b) [i or ii]**, as appropriate, to the RDD of the CBSL through PMU.”

All other terms and conditions of the Operating Instructions (as amended) will remain unchanged.

The effective date for this amendment is 30.09.2021.

You are kindly requested to bring the contents of this amendment to the notice of relevant officers in your bank branches.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department

Copy : Dr (Mrs) Yasantha Mapatuna, Programme Director, SAPP

Operating Instructions No: RDD/COVID19-Phase IV/2021/01

Regional Development Department
Central Bank of Sri Lanka
Po Box 590
NO 30, Janadhipathi Mawatha
Colombo 1
26.10.2021

To- All Participating Financial Institutions

Dear Sir/ Madam,

OPERATING INSTRUCTIONS
NEW REFINANCE SCHEME TO RE-ENERGIZE THE STATE-OWNED ENTERPRISES (SOEs)
("SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE-IV")

The Operating Instructions No: RDD/COVID19-Phase IV/2021/01 dated 26.10.2021 are issued by Director, Regional Development Department (RDD) of Central Bank of Sri Lanka (CBSL) to Participating Financial Institutions (PFIs) to accommodate the requirements of working capital and settling the statutory obligations of State-Owned Enterprises (SOEs) affected by the COVID-19 outbreak.

1. Introduction

- 1.1 As per the decision taken at the Cabinet Meeting held on 09.08.2021 to implement a Working Capital Loan Scheme under concessionary terms to re-energize Public Enterprises (the Cabinet Decision), the CBSL has formulated a Refinance Loan Scheme for granting working capital loans for Public Enterprises including Statutory Boards and Corporations, allocating Rs. 10 billion out of the funds received through the recoveries of loans provided under the "Saubagya COVID19 Renaissance Facility" and the "Saubagya Fund" of the CBSL.
- 1.2 Further, it has been decided at the Cabinet Meeting held on 17.08.2021 to provide funds required for settling the statutory obligations of SOEs, Corporations and Statutory Boards through the same loan scheme mentioned in section 1.1 above.
- 1.3 This new refinance facility will be referred to as "Saubagya COVID-19 Renaissance Facility Phase IV" (SCRF – Phase IV) for the purpose of distinguishing from the main credit component of Saubagya Loan Scheme and the subsequent components of the Saubagya COVID-19 Renaissance Facility (SCRF) introduced by CBSL.

2. Overall Management of the Project

The Regional Development Department (RDD) of the CBSL will be responsible for implementation of the loan scheme.

3. Loan Scheme

3.1	Name of the Scheme	Saubagya COVID-19 Renaissance Facility–Phase IV (SCRF – Phase IV)
3.2	Nature of the Scheme	Refinancing Scheme to fulfill the Working Capital requirements and settling the statutory obligations of SOEs
3.3	Participating Financial Institutions (PFIs)	Bank of Ceylon and Peoples' Bank

3.4	Funding Source	CBSL
3.5	Fund Allocation	Rs. 10 billion
3.6	Maximum Loan Amount per Sub-borrower (SOE)	Working capital requirement for a maximum of 03 months period and the statutory obligation after considering the business plan of the relevant SOEs or the maximum eligible amounts recommended by Department of Public Enterprises (DPE) of Ministry of Finance, whichever is lower
3.7	Rate of interest on refinance loans to PFIs*	1 percent per annum (1% p.a.)
3.8	Rate of interest for sub-loans	Four per cent per annum (4% p.a.)
3.9	PFI Margin	Three per cent per annum (3% p.a.)
3.10	Maximum Repayment Period	36 Months (including the Grace Period)
3.11	Maximum Grace Period	06 Months
3.12	Collateral	Any collateral acceptable to PFI
3.13	Date of implementation	The scheme in effective from 26.10.2021
3.14	Areas of Operation	All island

*In the event of non-compliance Standing Lending Facility Rate (SLFR) will be charged as per the provisions of the Subsidiary Loan Agreement.

4. Eligible Sub-borrowers

- 4.1 SOEs recommended by DPE of the Ministry of Finance shall be considered as eligible Sub-borrowers under SCRF – Phase IV.
- 4.2 A list of such eligible Sub-borrowers informed by DPE of Ministry of Finance is given in the Annex I.
- 4.3 CBSL reserves the right to issue amended list of eligible Sub-borrowers in this regard in consultation with DPE, where it is deemed necessary.

5. Eligible Activities

- 5.1 Sub-loans under “SCRF – Phase IV” shall be granted to facilitate working capital requirements and settling the statutory obligations of eligible sub-borrowers.
- 5.2 List of eligible working capital requirements and statutory obligations granting working capital loans are given in Annex II.
- 5.3 PFIs should obtain consent/recommendation of DPE of Ministry of Finance for the eligible working capital requirements and statutory obligations of each eligible sub borrower (SOE).
- 5.4 An eligible sub-borrower (SOE) is entitled to receive only one loan under this Scheme even when such borrower has banking facilities in several banks. In other circumstances, PFIs are requested to obtain a written confirmation from the sub-borrower that the sub-borrower has not approached other banks.

6. Registration of Borrowers

- 6.1 The Head Office of PFI shall issue relevant guidelines and instruct its branches to issue loan applications to the eligible sub-borrowers and collect loan applications from such eligible sub-borrowers.
- 6.2 The Head Office of PFI should forward the details of the eligible sub-borrowers who wish to obtain sub-loans under the “SCRF – Phase IV”, by submitting the hard copy of duly completed Loan Registration Forms given as Annex III(a) and Annex III(b) of these Operating Instructions, to the RDD.
- 6.3 For the expeditious implementation, PFIs should email the soft copy of the Annex III (b) within 7 working days of receipt of Sub-loan application from the eligible sub-borrower to the email addresses which will be informed by Director, RDD of CBSL.
- 6.4 PFIs must ensure the accuracy and compatibility of the information provided in the Annexes given in these Operating Instructions and the soft copies and hard copies of such Annexes provided by PFI.
- 6.5 Based on the information provided in Annex III (b), RDD will register the sub-borrowers on first-come-first-served basis, within 14 working days.

- 6.6 If discrepancy is observed between the information provided in the Annex III (a) and Annex III(b) after receiving the hard copies of those documents, the information given in the hard copy will be considered by the RDD.
- 6.7 RDD reserves the right to refer back the registration application to PFI, if any further information or clarification is required by RDD for the purpose of registering such Sub-loan application.
- 6.8 Upon the registration of a Sub-borrower, RDD will allocate a designated Registration Number to every loan registered and notify such Registration Number to the Head Office of the respective PFI. This Registration Number should be used for every correspondence with CBSL regarding the particular sub-borrower.

7. Disbursement of Sub-loans

- 7.1 PFIs should release loans to the registered sub-borrowers within 21 working days of such registration with CBSL.
- 7.2 If a PFI is unable to disburse any sub-loan within the stipulated time period, RDD should be informed immediately with valid reasons for the delay in disbursement. RDD will consider the reasons given for the delay and take appropriate decision/actions on registered sub-borrowers.
- 7.3 Any failure of PFI to disburse sub-loans and to provide valid reasons within 30 days may cause cancellation of the registration of sub-borrowers by RDD.
- 7.4 PFIs should submit a report on such registered loans which have not been disbursed with the specific reason for each application as and when it is required by RDD.

8. Refinance Procedure

- 8.1 CBSL will provide 100 per cent refinance for all sub-loans granted by PFIs subject to the terms and conditions laid down in these Operating Instructions.
- 8.2 Duly completed applications for refinance should be submitted to RDD for reimbursement after releasing the sub-loans to the registered sub-borrowers. Each refinance application should be accompanied with the following documents:
- (i) Application for Refinance - Annex IV
 - (ii) Statement of Loans Disbursed Application for Refinance - Annex V
 - (iii) Demand Promissory Note- Annex VI
 - (iv) Delivery Note - Annex VII
 - (v) Form of Assignment by way of Pledge to CBSL - Annex VIII
 - (vi) Disbursement Letter - Annex IX
- 8.3 RDD, having satisfied with the completion of required information in the refinance application together with all relevant documents mentioned above, will approve such refinance application and release refinance within 14 working days after receiving duly completed refinance application, on first come first served basis, subject to the availability of funds and the funding quota allocated to the respective PFI, if such allocation has been made by CBSL.
- 8.4 Refinance claims should be submitted to the RDD only through the Head Offices of PFIs within 90 days of the date of disbursement. Refinance claims sent to the RDD directly by PFI branches will not be accommodated.

9. Recovery of Loans

- 9.1 PFIs should recover the capital and interest from the sub-borrowers as per the conditions apply for each sub-loan.
- 9.2 The capital and interest for the refinance released to PFIs will be recovered semi – annually i.e. 30th June and 31st December of each year by CBSL according to the repayment schedule for refinance prepared by CBSL based on the repayment schedule of each sub-borrower.

10. Custody of documents

- 10.1 PFI should make arrangements to keep all the evidence used to assess the losses and the repayment capacity of the sub-borrower. Such documents shall be presented to CBSL as and when requested by CBSL for the examination or other purposes.
- 10.2 PFI Head Office or branch may retain any other document relevant to loan disbursement at the sole discretion of PFI.

11. Auditing of Accounts

11.1 PFIs shall conduct special internal audits on the sub-loans provided under the SCRF – Phase IV.

12. Role and Responsibilities of PFIs

PFIs are required to play an active role in the implementation of the “SCRF – Phase IV”. In addition to the requirements mentioned in these Operating Instructions, PFIs are requested to comply with the additional roles and responsibilities. In this regard, PFI shall;

12.1 ensure that adequate staff is allocated at the Head Office and the branches of PFI for expeditious implementation of the “SCRF – Phase IV” within the stipulated time period.

12.2 designate a senior official at PFI Head Office as a Project Loan Administrator to liaise with RDD of CBSL with regard to the implementation of the “SCRF – Phase IV”.

12.3 exercise due care and prudence at all times in disbursing loans to eligible sub-borrowers and take all reasonable steps to ensure that the loans are disbursed only for the purpose of the “SCRF – Phase IV”.

12.4 take full responsibility of the delivery of credit and the recoveries in time.

12.5 ensure that any branch of PFI shall not, in any circumstance, grant loans for the sub-borrowers registered under the “SCRF – Phase IV” at a rate higher than the interest rate mentioned in these Operating Instructions.

12.6 ensure regular supervision of the status and operations of the respective loan account in its books and take prompt actions, where necessary, to minimize any losses to PFI.

12.7 maintain Accounts and Financial Statements.

- (i) PFIs are required to maintain appropriate ledger accounts and records to indicate inter alia, sub loan appraisal, approvals, disbursement and recovery.
- (ii) PFIs are required to maintain separate accounts for the utilization of loan proceeds and refinance operations.
- (iii) PFIs should make available the Accounts and Financial Statements for the inspection and review of RDD. Further, PFI should submit the Accounts and Financial Statements and any information requested by RDD with regard to the “SCRF – Phase IV”, as and when required.

12.8 follow the registration process and refinance procedure stipulated in these Operating Instructions.

13. Other

PFIs shall contact Head of the Project Finance Division of RDD on Tel. No. 011 2477348 for any clarifications on this Scheme.

The Director, RDD of CBSL reserves the right to;

13.1 Revise the terms and conditions stipulated in these Operating Instructions, as and when necessary.

13.2 Issue necessary guidelines, clarifications to PFIs and determine necessary deadlines with reference to the implementation of the SCRF – Phase IV; and

13.3 Remove any PFI operating under the Scheme in the event of non-compliance to the Operating Instructions of the Scheme, in accordance with the Subsidiary Loan Agreement entered into by and between CBSL and such PFI.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department
Central Bank of Sri Lanka

Annex I

LIST OF SOES TO BE CONSIDERED FOR IMPLEMENTING A WORKING CAPITAL LOAN

No	Entity	Actual Employees as at 30 June 2021	Turnover as at 31-12-2020 (Rs.Mn)	WC forecast for 3 months (Rs.Mn)
Small				
1	Skills Development Fund Ltd	36	17	5
2	Co-operative wholesale Establishment	306	21	50
3	National Paper Company Ltd	110	22	16
4	Cey-Nor Foundation Ltd	72	37	10
5	Ceylon Ceramic Corporation	35	85	5
6	National Film Corporation of Sri Lanka	129	108	19
7	Kahatagaha Graphite Lanka Ltd	116	126	17
8	Lakdiva Engineering Company Ltd	104	130	15
9	Palmyrah Development Board	207	133	30
10	Sri Lanka Foundation	155	153	22
11	Sri Lanka Cashew Corporation	372	155	54
12	Paddy Marketing Board	192	179	28
13	Sri Lanka Institute of Nano Technology (Pvt) Ltd	86	192	130
14	National Transport Commission	195	194	50
15	Sri Lanka Handicraft Board (Laksala)	139	194	30
16	Manthai Salt Ltd	173	202	25
17	Lanka Phosphate Ltd	25	218	21
18	North Sea Ltd	250	245	50
Medium				
19	BCC Lanka Ltd	52	306	10
20	Paranthan Chemicals Company Ltd	55	307	8
21	Elkaduwa Plantations Ltd.	1545	328	222
22	Sri Lanka Institute of Tourism & Hotel Management	190	341	27
23	Sri Lanka Tourism Development Authority	197	377	120
24	Sri Lanka Broadcasting Corporation	710	545	102
25	Dr. Nevile Fernando Teaching Hospital	656	570	150
26	Ceylon Fishery Harbours Corporation	1219	596	200
27	Sri Lanka Ayurvedic Drugs Corporation	337	676	150
Large				
28	National Building Research Organization	317	771	46
29	Chilaw Plantations Ltd	805	791	130
30	Sri Lanka State Plantations Corporation	3550	925	511
31	Sri Lanka Tourism Promotion Bureau	88	1,037	50
32	Sri Lanka Rupavahini Corporation	898	1,049	300
33	Janatha Estates Development Board	3870	1,134	557
34	Independent Television Network Ltd	756	1,150	300
35	Kalubowitiyana Tea Factory Ltd	80	1,175	100

36	Rakna Arakshana Lanka Ltd	3616	1,224	250
37	Colombo Commercial Fertilizer Company Ltd	132	1,330	250
38	Central Cultural Fund	2509	1,415	150
39	State Development and Construction Corporation	594	1,449	400

LIST OF SOES TO BE CONSIDERED FOR IMPLEMENTING A WORKING CAPITAL LOAN

No	Entity	Actual Employees as at 30 June 2021	Turnover as at 3112-2020 (Rs.Mn)	WC forecast for 3 months (Rs.Mn)
40	State Engineering Corporation of Sri Lanka(including National Equipment of Machinery Organization- NEMO)	2260	1,532	500
41	State Printing Corporation	602	1,843	300
42	Associated Newspapers Ceylon Ltd (Lakehouse)	1341	1,911	150
43	Sri Lanka Thripasha Ltd	246	1,996	300
44	Sir John Kotelawala Defense University	1709	2,062	264
45	Ceylon Fertilizer Company Ltd	367	2,101	400
46	STC General Trading Company Ltd	352	2,454	400
47	Civil Aviation Authority	182	2,504	26
48	Ceylon Fisheries Corporation	672	2,900	500
49	National Livestock Development Board	1988	3,232	300
50	Ceylon Shipping Corporation Ltd	120	3,849	500
51	Central Engineering Consultancy Bureau	1289	6,131	500
52	Sri Lanka Land Development Corporation	1480	7,366	250
53	Milco (Pvt) Ltd	1422	11,047	1,000

Annex II

Eligible working capital requirements and statutory obligations shall be covered by granting loans as follows.

1. Working capital Requirements for 3 months

- Salaries and wages
- Purchase of raw material (shall not be considered if the SOE is non-operational)
- Settlement of creditors
- Utility bill settlement
- Other recurrent expenses
- Any other acceptable working capital requirement to PFIs
- Any other working capital requirement recommended by the Department of Public Enterprises (DPE) of the Ministry of Finance.

2. Settlement of Statutory Obligations

- EPF and ETF payable
- Surcharge for EPF & ETF
- Gratuity payable
- Advances & loans (Non-financial/banking sector)
- Bank loan, lease & bank overdraft within the CBSL Directions (eligible for suspension/deferral due to concessions given under CBSL directions/Circulars shall be excluded)
- Any other acceptable statutory obligations to PFIs
- Any other statutory obligations recommended by DPE of the Ministry of Finance.

Annex III(a)

Registration No :

“SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE -IV”

REGISTRATION FORM

1	Name and Branch of PFI	
2.	Address of the Branch	
3.	Telephone/Fax No.	

4. Status of Applicant/s : Statutory Board Corporation Other

.....
(Please Specify)

5. Name and Contact details of State-Owned Enterprise:

Name of SOE	Business Registration/ Act No. of SOE	Name of the Directors	Designation.	NIC No.. of the Director	Contact No.

6. Complete Address/Location of the SOE

7. District:

8. Type of SOE : Small Medium Large

9. Brief description of the activities and expenditures to be covered under the Saubagya COVID-19 Renaissance Facility Phase -IV (Purpose of the Loan).

10. Date submitted the recommendation/consent of the DPE of the Ministry of Finance –
..... (copy should be attached)

11. Estimated working capital and statutory obligations *	
12. Required Loan Amount	
13. Amount Recommended/Approved by the PFI	

I certify that the proposed activities and expenditures described at 9 above has been examined by me/credit officer and found that it has a sufficient cash flow and match with the recommendation made by the Department of Public Enterprises (DPE) of Ministry of Finance and hence recommended for finance under the Saubagya COVID-19 Renaissance Facility Phase-IV.

Date :

.....
Signature of Branch Manager/Rubber Stamp

Date :

.....
Signature and rubber stamp of the authorised officer of the PFI Head Office

* A list of 3 months working capital requirements and statutory obligations with the calculation should be attached.

Annex III(b) :

**“SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE-IV”
SUB BORROWER (SOE) REGISTRATION**

APPLICATION NUMBER :

To The Central Bank of Sri Lanka

Through PFI Head Office

Name of the PFI:

PFI Branch Name :

District of the Branch:

Name of the SOE	Address	Business Reg./Act No	Name of the Director	Designation	NIC No	Location of the Site		Loan Details		CBSL Registration Number
						Address	District	Purpose	Estimated Cost (RS)	

I certify that the proposed activities and expenditures of above SOEs were examined by me/credit officer of the bank and found that those are eligible to be financed under the Saubagya COVID - 19 Renaissance Facility Phase-IV.

.....

(Name & Signature and Stamp of the Authorised Officer)

*For CBSL use only.

.....

Date

ANNEX IV- Application for Refinance

Refinance Application No :

(To Operating Instructions No RDD/COVID19-Phase-IV/2021/01)

Address:

Date:

APPLICATION FOR REFINANCE UNDER**THE "SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE-IV"**

To: The Central Bank of Sri Lanka.

Gentlemen

We,a credit institution within the meaning of Section 88F of the Monetary Law Act (Chapter 422), as amended from time to time / a registered finance leasing establishment, and an authenticated print of whose constitution has already been/is herewith submitted to you, do hereby apply for the grant of a loan of Rupees..... (Rs.) under the provisions of Section 88A of the Monetary Law Act.

2. In making this application, we agree to comply with the terms and conditions stipulated in your Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021.
3. As required by the aforementioned Operating Instructions and in compliance therewith, we forward herewith a statement, in duplicate, of loans granted not earlier than six months immediately preceding the date of this application by us under the "Saubagya COVID-19 Renaissance Facility Phase-IV " for working capital requirements and settling Statutory obligation requirement of SOEs. We certify that the loans mentioned in the statement have not been reflected in any previous statement in support of an application for a refinance loan.
4. We hereby expressly agree to repay the monies disbursed to us in terms of this application to you in (number of instalments) (monthly /quarterly/half yearly [state frequency]) instalments each of Rs. the first of which shall be payable on day of 20.....
5. We hereby certify that we have satisfied ourselves that
 - (i) the loans granted to State Owned Enterprises mentioned in paragraph 3 above are within their borrowing powers; and
 - (ii) in the case of guarantees obtained for the repayment of such loans, that the guarantors have the power to give such guarantees.

**Signature Name and designation of the Authorised Officer(S) of the PFI
Manager, Refinance Unit**

ANNEX V - Statement of Loans Disbursed Application for Refinance
 REFINANCE APPLICATION NO

STATEMENT OF LOANS DISBURSED UNDER THE
"SAUBAGYA COVID-19 RENAISSANCE FACILITY PHASE-IV"
 (To Operating Instructions No : RDD/COVID19-Phase-IV/2021/01)

To : Central Bank of Sri Lanka
 From : Refinance Unit
 PFI : District :

Branch : District :

Enquiry Number	Name & Address of the SOE	Project Description & Purpose of Loan	Sub- Loan Amount (Rs.)	Amount Disbursed (Rs.)	Date of Disbursement	Disbursed Amount for which Refinance is Sought (Rs.)	Grace Period	Repayment Schedule			
								Installment		Due Date of first Instalment	Due Date for Last Instalment
								No. of Instalments	Value of Instalment (Rs)		
Total											

We do hereby promise to pay the above loan to the Central Bank of Sri Lanka in half yearly installments given in the above repayment schedule as agreed in the Refinance Agreement between the CBSL and the PFI.

.....
 Name & Signature of Authorised Officer

ANNEX VI - Demand Promissory Note

REFINANCE APPLICATION NO. :-

(To Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021)

DEMAND PROMISSORY NOTE

Colombo.

Date:

Rs.

On demand, we, the undersigned

(name and address of the Participatory Financial Institution)

hereby promise to pay to the CENTRAL BANK OF SRI LANKA or ORDER at COLOMBO, the sum of Rupees
 (Rs...) currency for value received, with interest thereon, at the rate
 of per centum per annum from the date hereof.

.....
 For (Name of PFI)
 REFINANCE UNIT
 HEAD OFFICE

.....
 (Stamp)

1.
 2.
 (Name and Signature of the Authorised Officer)

WITNESSES:

- 1.
- 2.

ANNEX VII - Delivery Note

REFINANCE APPLICATION NO. :-

(To Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021)

DELIVERY LETTER

Colombo.

Date:

To: The Central Bank of Sri Lanka.

In consideration of you agreeing to grant us, under the provisions of Section 88A of the Monetary Law Act (Chapter 422) as amended from time to time, a loan to the extent of Rupees
 (Rs.....) with the object of granting financial accommodation to us
 in respect of lending operations carried out by us under the Credit Scheme (Saubagya COVID-19 Renaissance Facility Phase-IV) referred to in your Operating Instructions No. RDD/COVID19- Phase-IV/2021/01 dated 26.10.2021 we herewith deliver to you our Promissory Note in your favor for Rs.....
 (Rs) payable on demand and varying interest as therein mentioned.

We hereby waive presentment for payment and confirm that it shall not be necessary for you to give notice of dishonor in respect of our said Promissory Note.

For (Name of the Participating Financial Institution)
 REFINANCE UNIT, HEAD OFFICE
 1.
 2.
 (Name and Signature of the Authorised Officer)

ANNEX VIII - Form of Assignment by way of Pledge to CBSL

REFINANCE APPLICATION NO.....

(To Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021)

FORM OF ASSIGNMENT BY WAY OF PLEDGE TO THE MONETARY BOARD OF THE CENTRAL BANK OF SRI LANKA UNDER SECTION 88A OF THE MONETARY LAW ACT*

Colombo.

Date:

We,
 (Name and address of Participatory Financial Institution) in terms of Section 88A of the Monetary Law Act as amended by Section 67 of the Finance Act No.11 of 1963 and by the Monetary Law (Amendment) Act No.21 of 1968, do hereby assign to the Central Bank of Sri Lanka, by way of pledge, the debit owing to us, particulars whereof are set forth in the Schedule hereto, as security/further security for the repayment to the Central Bank of a loan of Rupees
 (Rs...) granted to us by the Bank repayable with interest at percent per annum.

SCHEDULE

Amount of Debt (Rs.)	Borrower (SOE)'s Name and Address	Date	Notary

.....

Name & Signature of the Authorised Officer

For (name of the PFI)

REFINANCE UNIT

HEAD OFFICE

* State Owned Licensed Commercial Banks (LCBs).

ANNEX IX - Disbursement Letter**DISBURSEMENT LETTER**

(To Operating Instructions No. RDD/COVID19-Phase-IV/2021/01 dated 26.10.2021)

Bank Name

Bank Code No:

Branch Name:

Branch Code No:

Serial No. of the Loan:

Date:

Disbursement:

*	1	2	3	4	5	6	7	8	9	10
---	---	---	---	---	---	---	---	---	---	----

**STATEMENT OF LOANS DISBURSED UNDER
THE "Saubagya COVID-19 Renaissance Facility Phase-IV"**

Enquiry Number:

1. Particulars of the Borrower :

1.1 Name of the Borrower (SOE) :

1.2 Address of the Borrower (SOE) :

1.3 Contact/Responsible Person	:	
1.4 Contact Number of the Borrower	:	
2. Particulars of the Loan		
2.1 Purpose of the Loan		
2.2 Location of the Sub-project		
2.3 Total amount of loan sanctioned : originally		Rs.
Subsequent enhancement of loan for cost overruns		Rs. _____
	Total	Rs _____
2.4 Date of original sanction of loan	:	_____
Date of sanction of enhancement of loan	:	
2.5 Repayment Programme for the installment for which refinance was applied for:		
	Date	Amount (Rs.)
2.6 Rate of interest:		
3. Status of Loan:		
3.1 Amount released previously)	Rs
and refinance claimed from the CBSL)	
3.2 Amount now released and for which)	Rs
refinance is sought)	_____
	Total	Rs _____

I certify that the particulars given above are true and correct.

Date : _____ Signature of Branch Manager
Name of Branch Manager

* Please indicate whether it is 1st, 2nd or any other installment by putting a cross in the appropriate box

RefNo: 32/004/021/001/005

29.10.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/Madam,

CONCESSIONS TO BE GRANTED FOR THE LOANS OBTAINED UNDER THE "SWASHAKTHI - TOWARDS ONE MILLION JOBS" LOAN SCHEME.

As you are already aware, the Monetary Board of the Central Bank of Sri Lanka (CBSL) has issued the Circular No. 08 of 2021 dated 01.09.2021 (Monetary Board Circular) to provide debt moratorium for the individual and businesses affected by the COVID19 pandemic, with the intention of supporting the economic recovery of the country (Annex A). Accordingly, your kind attention is drawn to the following.

2. Extended Concessions for the loans granted under the "Swashakthi — Towards One Million Jobs" Loan Scheme
 - 2.1. In line with the Section 09 of the Monetary Board Circular, it has been decided to provide a debt moratorium facility for the loans granted under the Swashakthi Loan Scheme from 01.09.2021 up to 31.12.2021 on case-by-case basis.
 - 2.2. Debt moratorium could be provided only for Capital Repayment or for both Capital and Interest Payments of the respective loans, as requested by the sub-borrowers. Proposed concessions shall grant for the sub-borrowers who are affected by COVID-19, as defined in the Monetary Board Circular, on case by case basis.
 - 2.3. Eligible borrowers who wish to avail the concessions shall make a request seeking such concessions to the relevant Participating Financial Institutions (PFIs). PFIs shall expeditiously communicate the concessions, deadlines and application format for the submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
 - 2.4. Accordingly, PFIs are requested to accept the request from the eligible borrowers who wish to avail the extension of concessions and report the details separately for the loan scheme as per the attached format (RDD-Swashakthi-29.10.2021- Annex I) to the Director of RDD by 30.11.2021. Soft copy of the details in Excel format shall be sent to lakminiws@cbsl.lk and chamali@cbsl.lk with a COPY to vijithap@cbsl.lk.

3. Computation of Interest with regard to the extended debt moratorium periods
 - 3.1. All PFIs are hereby informed to compute the interest on the capital accumulation resulting from the extended debt moratorium period, in conformity with the interest rates as given in the respective Operating Instructions and subsequent amendments issued by the Director, RDD of the CBSL on the implementation of Swashakthi Loan Scheme.
 - 3.2. In the event of any PFI has charged an interest from any sub-borrower, which is higher than the interest rate referred above, at any given time, under any circumstance, such PFI shall make immediate arrangements to reverse such interest charges in favor of the subborrower and pay the difference to the relevant sub-borrowers.
 - 3.3. If any sub-borrower has opted for no payment of interest during the debt moratorium period, the interest accumulated during such period should be equally distributed among the remaining loan installments. No interest should be charged on accumulated interest during the debt moratorium period and no any compound interest shall be computed during the debt moratorium period.
4. Execute the Recovery Actions for Non-Performing Loans (NPLs)
 - 4.1. In line with the Section 2 (c) of the Monetary Board Circular, PFIs are required to initiate all required initial recovery actions which will be suspended according to the guideline of the same circular, within one month after 31.12.2021, on defaulted borrowers of the Swashakthi Loan Scheme.
5. Providing Concessions for the loans in the NPL Category
 - 5.1. PFIs shall provide the debt moratorium for NPL category for upcoming loan installments, subject to the condition that, the PFI shall comply with all the Directions issued by the CBSL with regard to the NPLs when taking a decision. Further, PFIs shall not back date debt moratorium facility for the borrowers who are already in NPL category and transfer such borrowers to the performing category.
6. Arrangements will be made, in collaboration with the Bank Supervision Department of the CBSL, to ensure the compliance of the PFIs with these instructions.
7. Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadlines mentioned above, to maintain the operational efficiency of the Swashakthi Loan Scheme.

Yours faithfully,
B L J S Balasooriya
Director

**Regional Development Department
Central Bank of Sri Lanka**

Cc: Secretary, Ministry of Youth and Sports.

02.11.2021

To: CEO/ GM of all Participating Financial Institutions (PFIs)

Dear Sir/Madam,

CONCESSIONS PROVIDE FOR THE BORROWERS OF THE LOANS OBTAINED UNDER THE SCHEMES IMPLEMENTED BY THE REGIONAL DEVELOPMENT DEPARTMENT (RDD) OF THE CENTRAL BANK OF SRI LANKA (CBSL).

Concessions provide for the borrowers of the loans obtained under the schemes implemented by the Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL)

This is further to our letters dated 10.09.2021, 19.09.2021 and 23.09.2021 with regarding the concessions provided for the borrowers who obtained the loans under the following schemes implemented by the RDD of the CBSL.

- Saubagya Covid 19 Renaissance Facility Loan Scheme Phase I, II and III.
- Saubagya (Prosperity) Loan Scheme
- Supply Chain Re-Energizing Loan Scheme (SCREL)
- Loan schemes implemented under the Smallholder Agribusiness Partnerships Programme (SAPP)
- Smallholder Tea and Rubber Revitalization (STaRR) Scheme

This is to inform you that the deadlines for accepting the customer requests for moratoriums case by case basis and the submission of the moratorium requests to the CBSL for the abovementioned schemes have extended up to 15.11.2021. Accordingly, all the moratorium requests must be sent to the CBSL on or before 15.11.2021. RDD will consider only moratorium requests which meet

the mentioned deadline for paying the interest subsidy or refinance recovery calculations under the given moratoriums for the second half of year 2021.

Please bring the contents of this letter to the notice of the officers of the relevant departments/branches of your bank and ensure meeting the deadline mentioned above, to maintain the operational efficiency of the Schemes.

Yours faithfully,
B L J S Balasooriya
Director
Regional Development Department
Central Bank of Sri Lanka

Operating Instructions No: RDD/IS/SF/2021/01

Regional Development Department
Central Bank of Sri Lanka
P.O. Box 590
No. 30, Janadhipathi Mawatha
Colombo 01
21.12.2021

To: All Participatory Financial Institutions

OPERATING INSTRUCTIONS

INTEREST SUBSIDY LOAN SCHEME FOR INTENSIFICATION OF SHRIMP FARMS IN SRI LANKA

The Operating Instructions No: RDD/IS/SF/2021/01 dated 21.12.2021 are issued by the Director, Regional Development Department (RDD) of the Central Bank of Sri Lanka (CBSL) to all Participatory Financial Institutions (hereinafter referred to as "the PFIs") to introduce and implement an Interest Subsidy Loan Scheme for Intensification of Shrimp Farms in Sri Lanka (hereinafter referred to as the Scheme).

1. Introduction

- 1.1. The Scheme is introduced by the CBSL upon the request of the State Ministry of Ornamental Fish, Inland Fish & Prawn Farming, Fishery Harbor Development, Multiday Fishing Activities and Fish Exports (hereinafter referred to as "State Ministry of Fisheries") to implement an interest subsidy loan scheme under concessionary terms for intensification of shrimp farms in Sri Lanka by upgrading the facilities of shrimp farmers (herein after referred to as "Borrowers") to increase the production.
- 1.2. PFIs are expected to use their own funds to grant loans to the eligible Borrowers at a concessionary interest rate. Interest subsidy will be provided by the CBSL to PFIs to cover the cost of funds of PFIs of loans granted under the Scheme.
- 1.3. PFIs are eligible to claim interest subsidy from the CBSL for the loans granted to the borrowers under the Scheme.
- 1.4. RDD of the CBSL has been vested with the authority to operate the Scheme as the implementing agency.

2. Funding

- 2.1 Funds for the loan disbursement: PFIs' own funds
- 2.2 Funding for the provision of Interest Subsidy: State Ministry of Fisheries

3. Participatory Financial Institutions (PFIs)

Bank of Ceylon, Peoples' Bank and Regional Development Bank.

4. Salient Features of the Scheme

- 4.1 Key Features of the scheme

(i) Maximum Loan Amount per Borrower		Rs. 100 mn (Maximum Rs.5mn per pond)
(ii) Interest Rate applicable to Borrower	During the first 18 months	4.5% per annum
	For the next 06 months	8.5% per annum

(iii) Interest Subsidy	During the first 18 months	4% per annum
	For the next 06 months	No Interest Subsidy will be paid
(iv) Maximum Repayment Period including the Grace Period	Two (02) years	
(v) Grace Period	Six (06) months	

4.2 General Features

- (i) Nature of the Project - Interest Subsidy Loan Scheme under Concessionary terms for Intensification of Shrimp Farms
- (ii) Objectives of the Scheme - Assist shrimp farmers to upgrade their farms
- (iii) Target Group/Borrowers - Shrimp farmers who are currently having "B" Grade & "C" Grade shrimp farms
- (iv) Area of Operation - All island
- (v) Selection of Borrowers - Borrowers to be selected by the State Ministry of Fisheries and/or National Aquaculture Development Authority of Sri Lanka (NAQDA) by calling applications from eligible shrimp farmers who are both technically and financially capable, through a selection process.
 - Based on the fund availability, the selection of beneficiaries shall be decided by the State Ministry of Fisheries and/or NAQDA by time to time.
- (vi) Collateral - NAQDA farm license/ Buy-back guarantee/Formal cooperate guarantee from exporters or any other collateral acceptable to the PFIs

4.3 Borrowers are entitled to a grace period of 06 months and after that loan has to be paid in two installments within a year. Half of the loan amount (i.e. 50% of the capital and the applicable interest) has to be paid by the borrower before end of 12 months from the date of granting the loan. Balance payment has to be made within next 6 months before ending the loan tenure.

4.4 Borrowers can extend the tenure of their loan for a further period of 06 months (i.e. up to a maximum of two years for total repayment including the grace period) if the PFIs are agreed. However, in that case interest subsidy will not be provided for the extended period and the borrower shall pay the total interest to the PFIs, which is maximum of 8.5% per annum.

4.5 Irrespective of the loan period, interest subsidy will be provided only for the first 18 months of the loan by the CBSL.

4.6 Borrowers are opted for no payment of interest, during the grace period mentioned in 4.3 above and the accumulated interest should be equally distributed among the remaining loan period. The interest accumulated after the grace period (first 06 months) has to be paid in full while making the first payment to the PFI by the borrower. No interest should be charged on accumulated interest during the grace period.

5. The Role and Responsibilities of PFIs

- 5.1. Nominate a senior official within the Head Office of the PFI to co-ordinate and supervise loan operations with the branch offices, State Ministry of Fisheries, NAQDA and with the CBSL.
- 5.2. Ensure that required staff is allocated to implement the Scheme, throughout the branch network.
- 5.3. Designate an appropriate number of branches for granting of loans and make such branch staff aware on the implementation of the Scheme.
- 5.4. Undertake full responsibility of the delivery of credit and recoveries.
- 5.5. Ensure to select and grant loans solely based on the recommendations made by the State Ministry of Fisheries and/or NAQDA.
- 5.6. Ensure to take actions to avoid single customer obtaining several loans from the PFIs under the Scheme.
- 5.7. Ensure that any branch of the PFIs shall not, in any circumstance, grant loans for the eligible borrowers under the Scheme, at any interest rate higher than the rate mentioned in Section 4.1(ii) above.
- 5.8. Satisfy itself that each project is economically and financially viable and feasible.

- 5.9. Maintain records and a separate database with regard to the Scheme facilitating to trace all information regarding a loan.
- 5.10. Cooperate with the State Ministry of Fisheries and/or NAQDA fully, in order to achieve the goals of the Scheme with respect to credit delivery and capacity development of beneficiaries to ensure complete absorption of funds earmarked for the component.
- 5.11. Furnish data and information related to the Scheme requested time to time by CBSL in the relevant formats, through the respective Head Offices.
- 5.12. Perform pre and post-supervision of the loans granted under the scheme.
- 5.13. Observe normal care and prudence in disbursing the loans to the eligible Borrowers and to take all reasonable steps to ensure that the loans are utilized for the purposes for which they have been granted.
- 5.14. Maintain Accounts and Financial Statements
- (a) PFIs are required to maintain appropriate records and ledger accounts to indicate inter alia, loan appraisal, approvals, disbursement and recovery.
 - (b) PFIs are required to maintain separate accounts for the utilization of loan proceeds and interest subsidy operations.
 - (c) PFIs should make available the Accounts and Financial Statements for the inspection and review of CBSL. Further, the PFI should submit the Accounts and Financial Statements to CBSL as and when required.
- 5.15. Required to;
- (a) Monthly report the disbursement of loan details according to the Annex I, on or before 15th of each month for the preceding month, to the CBSL with copies to the State Ministry of Fisheries and NAQDA.
 - (b) Monthly report the early settlement of loans and over-payment of loan instalments by the borrowers, according to the Annex III, on or before 15th of each month for the preceding month, to the CBSL with copies to the State Ministry of Fisheries and NAQDA.
 - (c) Bi-annually report the NPL status of the disbursed loans as per the Annex IV to the CBSL.
- 5.16. All hard copies of Annex I, III and IV mentioned above should reach Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01 and the soft copies should be sent to the e-mail addresses which will be informed by the Director, Regional Development Department or any other authorised Officer of the Regional Development Department of the CBSL.
- 5.17. Follow the procedure stipulated in the Operating Instructions in claiming interest subsidy.

6. Role of the CBSL

- 6.1 Issue Operating Instructions and amendments to PFIs as and when necessary.
- 6.2 Release interest subsidy under the Scheme on the first-come first-served basis, upon arrival of the duly completed interest subsidy application in compliance with the Operating Instructions of the Scheme and inform the particulars of the release of interest subsidy to the respective Head Office of the PFIs.
- 6.3 Ensure that calculate and recommend the interest subsidy is provided semi - annually within forty-five (45) days of the receipt of the duly completed interest subsidy application.
- 6.4 Conduct progress review of the fund disbursement of the PFIs against the submitted beneficiaries by the State Ministry of Fisheries and/or NAQDA with the participation of the State Ministry of Fisheries, NAQDA, and PFIs as and when necessary.

7. Role of the State Ministry of Fisheries

- 7.1 Nominate a senior official of the State Ministry of Fisheries to co-ordinate with the CBSL, PFIs and NAQDA.
- 7.2 Carry out the monitoring and evaluating process of the Scheme, implement the necessary policy actions and monitoring and evaluating post disbursement of loans liaise with the NAQDA and the PFIs.
- 7.3 Oversee the functions of the NAQDA to ensure its operations are in line with the terms and conditions stipulated in the Administration Agreement.
- 7.4 Make payments to the PFIs through the CBSL, for the recommended interest subsidy claims submitted by the CBSL.
- 7.5 Ensure that the initial loan projections and interest subsidy calculations are maintained within the approved limitations during the process of recommending the loan amounts to the PFIs by the NAQDA.

- 7.6 Involve conducting progress review of the fund disbursement of the PFIs against the submitted borrowers by the NAQDA with participation of the relevant PFIs as and when necessary.
- 7.7 Supervise and conduct the fund flow of the Scheme in collaboration with the NAQDA

8. Role of the NAQDA

- 8.1 Nominate a senior official of the NAQDA to co-ordinate with the CBSL, PFIs and State Ministry of Fisheries.
- 8.2 Select borrowers to obtain the loan under the Scheme.
- 8.3 Provide opportunity to the borrowers selected by the NAQDA to obtain loans, to select the PFI based on their own preferences.
- 8.4 Direct the borrowers with a valid document including all details to prove their eligibility to the PFIs and shall inform the PFI to grant the loan under the Scheme and recommend the loan amount whilst maintaining the initial calculations given in the proposal.
- 8.5 Ensure to take actions to avoid single customer obtaining several loans from the PFIs under the Scheme.
- 8.6 Ensure that the initial loan projections and interest subsidy calculations are maintained within the approved limitations during the process of recommending the loan amounts to the PFIs.
- 8.7 Maintain records of the borrowers directed to the PFIs, loans disbursed to them and the interest subsidy provided by the CBSL for each of the loans disbursed.
- 8.8 Supervise and conduct the fund flow of the Scheme in collaboration with the State Ministry of Fisheries.
- 8.9 Take all reasonable steps to ensure that the loans are utilized for the purposes for which they have been granted and carry out post-supervision of the projects under the scheme to ensure that the projects are being operating up to the expected level.

9. Interest Subsidy Payments

- 9.1. The CBSL will provide an interest subsidy at a rate specified in these Operating Instructions for loans provided by the PFIs out of their own funds according to the terms and conditions specified in these Operating Instructions.
- 9.2. PFIs, in order to be qualified for the interest subsidy under the Scheme, are required to provide loans to the eligible borrowers at the interest rate mentioned in Section 4.1(ii) above, in all circumstances. Loans which do not fulfil this requirement, will not be eligible for interest subsidy under the Scheme.
- 9.3. The procedure to follow is given below;
 - (a) Duly completed interest subsidy applications given in Annex II should be submitted to the CBSL semi-annually by the Head Office of PFI, adhering to the deadlines given in the section 9.3 (c) below, after releasing the loans. Both soft and hard copies of the interest subsidy applications are to be made available to the CBSL.
 - (b) CBSL shall pay the interest subsidy on the capital outstanding of the loan at a rate of 4% per annum for the first 18 months of the loan including the grace period on monthly basis using the Reducing Balance Method and Actual/365 day count basis. In calculating the capital outstanding, fully or partly early settlement of loans will also be taken in to consideration.
 - (c) Duly completed Annex II hereto shall be submitted to the CBSL by the Head Office of the PFI on or before the 31st day of the month of July and January in each year for consideration of releasing Interest Subsidy under the Scheme.
 - (d) Once all the claim applications of the PFIs are received to the CBSL within the given time period, RDD will sanction the interest subsidy application and forwards to the State Ministry of Fisheries requesting the applicable interest subsidy claims for each PFI under the Scheme, semi - annually, and will be settled the claims after receiving due amounts from the State Ministry of Fisheries.
- 9.4. All hard copies of applications claiming interest subsidy under the Scheme should reach Director, Regional Development Department, Central Bank of Sri Lanka, No.30, Janadhipathi Mawatha, Colombo 01 and the soft copies should be sent to the e-mail addresses which will be informed by the Director, Regional Development Department or any other authorised Officer of the Regional Development Department of the CBSL.
- 9.5. CBSL reserves the right to refer the interest subsidy application to the PFI, in the event of further clarifications are required.

10. General Conditions

The CBSL reserves the right to;

- 10.1. conduct field inspection, visit PFIs and inspect the ledgers and books etc. and any other supervisory and regulatory action where deemed to be necessary,
- 10.2. recall any sums paid on a claim to a PFI where there is evidence that the PFI has wilfully neglected to take adequate steps to ensure proper supervision, care and prudence in lending resulting in fictitious loans, misutilization of loans by the borrowers or where there is evidence of any misdemeanour committed by the PFI in the grant of loans, the CBSL will deny liability and where a claim has been admitted,
- 10.3. revoke the eligibility of any Bank to operate as a PFI under the Scheme in an event of non-compliance to the Operating Instructions of the Scheme and
- 10.4. revise the terms and conditions of the Scheme as and when necessary.

The Scheme will be effective from the date of 21st December 2021

M S K Dharmawardane
Director
Regional Development Department
Central Bank of Sri Lanka

Annex I

**Interest Subsidy Loan Scheme for Intensification of Shrimp Farms in Sri Lanka
New Loans Details - Monthly Report**

Reporting Month/Year:

Serial No.	NAQDA Registration No.	Title	Last Name of the Applicant	Initials of the Applicant	NIC No.	Address Line 1	Address Line 2	Address Line 3	District	Bank Code	Branch Code	Branch Name	Loan Amount Approved (LKR)	Date of Disbursement (yyyy/mm/dd)	Loan Amount Disbursed (LKR)	Grace Period (in months)	Repayment Period in months (including Grace Period)	No. of Installments	Installment Amount (LKR)	First Installment Date (yyyy/mm/dd)	Last Installment Date (yyyy/mm/dd)		

Bank:

I do hereby certify that the loans indicated above were granted out of the Bank's own resources at an interest rate of ... per annum and that the bank is eligible to receive the interest subsidy in terms of operating Instruction No. RDD/IS/SF/2021/01

.....
Name of the Authorised Officer

.....
Date

.....
Signature of the Authorised Officer

.....
Bank Stamp

Note: Each and every sheet need to be placed the stamp and the signature of the authorised officer.

Annex II

Interest Subsidy Loan Scheme for Intensification of Shrimp Farms in Sri Lanka
Interest Subsidy Claim Application

Bank:

Reporting Period:

Serial No.	NAQDA Registration No.	Details of the Borrower			Date of Disbursement (yyy/mm/dd)	Loan Amount Disbursed (LKR)	Grace Period (in months)	Capital Outstanding as at beginning of the period	Capital Repayment Details of loans (LKR)						Capital Outstanding as at End of the period	Total Interest Subsidy Claim for the Period (LKR)	
		Last Name of the Applicant	Initials of the Applicant	NIC No.					Branch	1st month	2nd month	3rd month	4th month	5th month			6th month
Total																	

I do hereby certify that the loan details indicated above are true & correct and were granted out of the Bank's own resources at an interest rate of Per annum and that the bank is eligible to receive the interest subsidy in terms of operating Instruction No. RDD/IS/SF/2021/01

Name of the Authorised officer

Signature of Branch Manager

Date

Branch Stamp

Note: Each and every sheet need to be placed the stamp and the signature of the authorised officer.

**Interest Subsidy Loan Scheme for Intensification of Shrimp Farms in Sri Lanka
Statement of Pre-mature/Over Settlement of Loans**

Reporting Month/Year:

Serial No.	NAQDA Registration No.	Details of the Borrower				Outstanding as at opening day of the month (LKR)	Capital Fully or Partly Early Settlement Details of Sub-loans										
		Title	Last Name of the Applicant	Initials of the Applicant	NIC No.		Address	District	Branch	1st Payment		2nd Payment		3rd Payment		Outstanding as at End of the month (LKR)	
										Date (yyyy/mm/dd)	Amount Paid (LKR)	Date (yyyy/mm/dd)	Amount Paid (LKR)	Date (yyyy/mm/dd)	Amount Paid (LKR)		

I do hereby certify that the Sub-loan details indicated above are true & correct.

.....
Name of the Authorised Officer

.....
Signature of the Authorised Officer

.....
Bank Stamp

Note: Each and every sheet need to be placed the stamp and the signature of the authorised officer.

Annex IV

INTEREST SUBSIDY LOAN SCHEME FOR INTENSIFICATION OF SHRIMP FARMS IN SRI LANKA
NON-PERFORMING LOAN STATUS

Name of the Bank: Reporting Period (Bi-annually):

District	Branch	Total Outstanding Balance as at		Special Mention		Substandard		Doubtful		Loss		Total NPL(LKR)	NPL* (%)	NPL** (%)	NPL*** (%)
		No. of Loans	Amount (LKR)	No. of Loans	Amount (LKR)	No. of Loans	Amount (LKR)	No. of Loans	Amount (LKR)	No. of Loans	Amount (LKR)				

* NPL of the IS scheme of fisheries as a percentage of total Loans given under the same Scheme

** NPL of the IS scheme of fisheries as a percentage of total Loans and Advances of the Bank

***NPL of the Bank as a percentage of total Loans and Advances of the Bank

Total Loans & Advances of the Bank (LKR.Mn.) :

Total NPL of the Bank (LKR.Mn.) :

.....

(Name & Signature and Stamp of the Authorised Officer)

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

NO. 2221/55-THURSDAY, APRIL 01, 2021

(Published by Authority)

**PART I : SECTION (I) — GENERAL
CENTRAL BANK OF SRI LANKA NOTICES
THE MONETARY LAW ACT**

REGULATIONS made by the Monetary Board under section 32E of the Monetary Law Act, (Chapter 422).

Prof. W D Lakshman

Chairman, Monetary Board.

Central Bank of Sri Lanka,
Colombo,
01st April, 2021.

**Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations
Amendment to the Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010**

- | | |
|--|--|
| Citation | 1. These Regulations shall be cited as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 1 of 2021". |
| Amendment to the principal regulation | <p>2. The Sri Lanka Deposit Insurance Scheme Regulations, No. 1 of 2010 published in Gazette Extraordinary No. 1673/11 of 28 September, 2010, are hereby amended, as follows:-</p> <p>(a) In Regulation 9 thereof, by the repeal of paragraph 9.4 of that Regulation and the substitution of the following paragraph:-
"9.4 The compensation within the limits as specified, will be paid expeditiously from the date of the suspension or cancellation of the licence, as the case may be. No interest will be paid in the ensuing period."</p> <p>(b) In Regulation 9 thereof, by the repeal of paragraph 9.6 of that Regulation and the substitution of the following paragraph in lieu thereof :-
"9.6 The amount of compensation payable to a depositor shall be limited to the total insured deposits computed as above, subject to a maximum amount of Rupees One Million and One Hundred Thousand (Rs.1,100,000) in respect of LKR deposits or in the case of foreign currency deposits, its equivalent in LKR, and upto that extent, if such amount exceeds Rupees One Million and One Hundred Thousand (Rs.1,100,000)."</p> <p>(c) In Regulation 9 thereof, by the insertion of the following paragraph immediately after paragraph 9.10 :-
"9.11 In the case of a Member Institution, whose licence has been cancelled, the insured depositors thereof shall be entitled to receive compensation payment under this Regulation, only in so far as such insured depositors submits the duly completed claim for the eligible compensation, before the appointment of the liquidator by the competent court in respect of the liquidation of such Member Institution."</p> |
| Transitional Provisions | 3. The insured depositors of the Member Institutions whose licences have been cancelled or suspended, as the case may be, prior to the date of this Regulation, shall be entitled to receive compensation payable under this Regulation, subject to a maximum of Rupees One Million and One Hundred Thousand (Rs.1,100,000) or its LKR equivalent in the case of foreign currency deposits, provided that such insured depositors have :- |

- a) Either not claimed compensation as of date, or
- b) Have already made their claim, but have not been paid compensation as of date, or
- c) Have already been paid amounts of compensation, but such compensation is less than Rupees One Million and One Hundred Thousand (Rs. 1,100,000).

The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

NO. 2239/52 - FRIDAY, AUGUST 06, 2021

(Published by Authority)

**PART I : SECTION (I) — GENERAL
CENTRAL BANK OF SRI LANKA NOTICES
THE MONETARY LAW ACT**

REGULATIONS issued by the Monetary Board of the Central Bank of Sri Lanka (Monetary Board), under section 32E of the Monetary Law Act, (Chapter 422).

Prof. W D Lakshman
Chairman, Monetary Board.

Colombo,
06th August 2021

Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations

- | | | |
|---|-----|--|
| 1. Citation | 1.1 | These Regulations shall be cited as the "Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No.02 of 2021". |
| 2. Objective of the Scheme & Enabling Provisions | 2.1 | In terms of Section 5 of the Monetary Law Act, No. 58 of 1949, the Central Bank of Sri Lanka is charged with the duty of securing, as far as possible, by action authorised by such Act, the two primary objectives of (a) economic and price stability and (b) financial system stability. |
| | 2.2 | In terms of Sections 32A to 32E of the Monetary Law Act, the Central Bank may establish, maintain, manage and control, as determined by the Monetary Board from time to time, a scheme for insurance of deposits held by banking institutions. |
| | 2.3 | In terms of Sections 46(1) and 76(J) of the Banking Act, No. 30 of 1988, the Monetary Board is empowered to issue Directions to licensed commercial banks and licensed specialized banks, regarding the manner in which any aspect of the business of such bank is to be conducted, in order to ensure the soundness of the banking system. |
| | 2.4 | In terms of Sections 38, 39 and 41 of the Finance Business Act, No. 42 of 2011, the Monetary Board may operate a scheme for insurance of deposits held by licensed finance companies and require such finance companies to insure their deposit liabilities under the scheme or under a body corporate authorised by the Monetary Board. |
| | 2.5 | Accordingly, the Sri Lanka Deposit Insurance and Liquidity Support Scheme is established in the interest of the overall financial system stability of the country (hereafter referred to as "the Scheme"). It will outline a mechanism to protect small depositors in the event of a failure of a Member Institution, with a view to upholding the public trust in the financial system. |
| 3. Title of the Scheme and Effective Date | 3.1 | This Scheme shall be titled the "Sri Lanka Deposit Insurance and Liquidity Support Scheme". |
| | 3.2 | The Scheme under these Regulations shall come into effect from the 06th of August, 2021. |

4. **Member Institutions to be governed by the Scheme** 4.1 Every Licensed Bank, Licensed Finance Company shall be a member of the Scheme (referred to in these Regulations as a “Member Institution”).
5. **Eligible Deposits to be insured** 5.1 Eligible deposits to be insured, shall include demand, time and savings and certificates of deposit liabilities of Member Institutions, value of the shares of shareholders who were initially deposit holders, whose deposits were converted into equity under the Directions of the Monetary Board in 2010 and 2011 as part of the business restructuring plans implemented prior to 01.01.2012 and exclude all debt instruments, including any promissory note, hybrid equity and such other debt instrument as may be determined by the Monetary Board .
- For this purpose, the value of shares of shareholders whose deposits were converted into equity, shall be the value of deposit/s that had been converted into shares.
- 5.2 The following deposit liabilities shall be excluded from the Scheme:
- (i) Deposit liabilities to Member Institutions.
 - (ii) Deposit liabilities maintained individually or jointly with any other party, by Directors, Key Management Personnel, other related parties, excluding shareholders as defined in Banking Act Direction, No. 11 of 2007 on Corporate Governance for Licensed Commercial Banks, Banking Act Direction, No. 12 of 2007 on Corporate Governance for Licensed Specialised Banks and the Finance Companies Act (Corporate Governance) Direction, No. 3 of 2008 for Licensed Finance Companies.”
 - (iii) Deposit liabilities maintained either individually or jointly with any other party, by former Directors or Key Management Personnel of the respective Member Institution;
 - (a) Where the Monetary Board has issued Directions to remove such Director/s or Key Management Personnel , as the case may be, from the Board of Directors and/or Key Management Personnel from the position or positions held by such personnel in the respective Member Institution, due to such Directors or Key Management Personnel being involved in or concerned with, carrying on the business operations or management of the Member Institution, following any unsound, improper, dishonest, deceitful or fraudulent financial practice or practices, detrimental to the interests of its depositors and other creditors.
 - (b) Where the Director of Bank Supervision/Director of the Department of Supervision of Non-bank Financial Institutions, have determined that such Director or Directors and/or any one or more Key Management Personnel is and/or are not fit and proper to hold office in the Member Institution, in as much as they being subject to an investigation or inquiry for or concerning an act involving fraud, cheating, misappropriation, deceit, dishonesty or any other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal or other body established by law, in Sri Lanka or in any other jurisdiction OR have been found guilty for any act which involves fraud, cheating, misappropriation, deceit, dishonesty, improper conduct or non-compliance with the provisions of any law or any rule, regulation, direction, determinations made thereunder, by any court of law, regulatory or supervisory authority, professional association, commission of inquiry, tribunal or other body established by law, in Sri Lanka or in any other jurisdiction.
 - (c) Where the Monetary Board determines *ex mero motu*, upon being satisfied upon material available, that any Director or Directors, or any Key Management Personnel of any Member Institution, is or are disentitled to receive any benefit under the Scheme, due to having been responsible for or having engaged in or engaging in, or being involved in carrying on the business operations or management of the Member Institution, by or through following any unsound, improper, dishonest, deceitful or fraudulent financial practice/s, detrimental to the interests of its depositors and other creditors.

- (iv) Deposits falling within the meaning of abandoned property in terms of the Banking Act, amounts of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.
- (v) Dormant deposits in terms of the Finance Business Act, amounts of which have been transferred to the Central Bank of Sri Lanka in terms of the relevant Directions issued by the Monetary Board.
- 5.3 In the case of foreign currency deposit liabilities, the daily indicative exchange rates issued by the International Operations Department of the Central Bank of Sri Lanka, shall be used to convert the foreign currency liabilities into local currency.
- 5.4 All eligible deposits shall be insured by Member Institutions.
- 6. Premium to be levied on insured deposits**
- 6.1 Each Member Institutions shall pay a premium calculated on the total amount of deposits inclusive of any interest accrued, excluding the deposit liabilities stated in 5.2 above, as at the end of the quarter/month as may be determined by the Monetary Board, from time to time, to the Sri Lanka Deposit Insurance and Liquidity Support Fund stated in Regulation 7.
- 6.2 The calculation of premia effective until further notice, shall be as follows:
- (i) Licensed banks, which maintained a capital adequacy ratio of 14 per cent or above at the end of the immediately preceding financial year as per its audited accounts as accepted by the Director of Bank Supervision – a premium of 0.10 per cent per annum payable quarterly calculated on total amount of all eligible deposits as at end of the quarter.
- (ii) All other licensed banks – a premium of 0.125 per cent per annum payable quarterly calculated on total amount of all eligible deposits as at end of the quarter.
- (iii) Licensed Finance Companies – a premium of 0.15 per cent per annum payable monthly calculated on total amount of all eligible deposits as at end of the month.
- 6.3 Each Member Institution shall remit the applicable amount of the premium to the account of the Sri Lanka Deposit Insurance and Liquidity Support Fund within a period of fifteen (15) calendar days from the end of the respective quarter/month and submit the details of deposits and calculation of premium in a format specified by the Director of the department of the Central Bank of Sri Lanka, who shall be responsible for the operational and administrative arrangements of the Scheme, as specified in Regulation 10.1.
- 6.4 In the event of a delay in the payment of the premium inclusive of instances of under-payment, a penalty will be levied at the prevailing weighted average 91 days primary Treasury bill yield rate plus 200 basis points or as may be determined by the Monetary Board.
- 7. Sri Lanka Deposit Insurance and Liquidity Support Fund**
- 7.1 The Scheme shall have a fund titled “Sri Lanka Deposit Insurance and Liquidity Support Fund” (hereafter referred to as “the Fund”), and it shall be operated and managed by the Monetary Board, which responsibility may delegate to an officer or a Department of the Central Bank of Sri Lanka as it may consider necessary and Regulation 10.1 below, specifies the present operational and management arrangements.
- 7.2 The administration and management arrangements of the Sri Lanka Deposit Insurance and Liquidity Support Fund shall be distinct and independent from that of the supervisory departments of Member Institutions, in order to prevent or avoid any natural or other conflicts of interest.
- 7.3 Credits to the Fund shall include: premia and penalties paid by Member Institutions, all proceeds of profits, investment income and gains arising out of the investments of the moneys in the Fund, recovery of secured advances or loans granted to any Member Institution, recovery of compensation paid to depositors, such sums as may be appropriated out of the abandoned property in the case of licensed banks and dormant deposits in the case of licensed finance companies transferred to the Central Bank of Sri Lanka in terms of Directions issued by the Monetary Board under Part IX – Sections 72 and 76 of the Banking Act and Sections 23 of the Finance Business Act as applicable, borrowings and contributions from the Government and/or any other sources as may be approved by the Monetary Board.

- 7.4 Debits to the Fund may be on account of :- Compensation payments to depositors, repayment of abandoned property/dormant deposits lying in the fund and the operating expenses of the Scheme, as may be determined by the Monetary Board.
- 8. Utilisation of moneys in the Fund**
- 8.1 Apart from any debits to the fund, the moneys in the Fund shall be utilized as hereinafter provided:
- (i) Investments in Government Securities - Government securities shall include Treasury bills, Treasury bonds and all other marketable securities issued by the Government of Sri Lanka. For avoidance of doubt and for the purposes of these Regulations, these will include investments made by way of reverse repurchase agreements.
- (ii) Secured advances or loans to any Member Institution in the instance of a severe liquidity crisis in such Member Institution, if, in the opinion of the Monetary Board (after considering an assessment report on the liquidity position submitted by the Director of Bank Supervision in the case of a licensed bank or the Director of Department of Supervision of Non-Bank Financial Institutions in the case of a licensed finance company), that such an advance/loan will substantially contribute towards avoiding or averting an imminent financial panic in the particular institution, or in respect of that institution, or in the financial system as a whole AND if the same is warranted in the totality of the attendant circumstances.
- 8.2 Such advances or loans to Member Institutions in terms of Regulation 8.1 (ii) shall be provided on the pledging of collateral in the form of Government securities, at prevailing market interest rates or otherwise, as may be unanimously determined by the Monetary Board, taking into consideration, the viability of the Fund and the opportunity cost of such decision, to the Fund.
- 8.3 The repayment period of such loans or advances shall be as determined by the Monetary Board.
- 8.4 The Monetary Board may issue Operational Guidelines pertaining to the granting of such loans or advances, supplemental to these Regulations.
- 9. Compensation on Insured Deposits**
- 9.1 Compensation to depositors on insured deposits will be paid as per Regulations issued by the Monetary Board from time to time, or as hereinafter provided.
- 9.2 Member Institutions shall maintain records of all depositors with an unique identification number for each depositor and submit details of all the depositors. Such details shall be submitted quarterly by licensed banks and monthly by licensed finance companies, to the department of the Central Bank of Sri Lanka, who shall be responsible for the operational and administrative arrangements of the Scheme as specified in Regulation 10.1, in a format as specified by the Director of such department from time to time. In the case of resident individuals, the unique identification number shall be the National Identity Card Number. In the case of companies registered under the Companies Act, the company registration number shall be considered and all other non-individuals, registration numbers issued by the relevant and accepted approving authority, shall be considered as the unique identification number.
- 9.3 A Member Institution shall cease to be a member of the Scheme upon the cancellation of the licence of such Member Institution to carry on banking business or finance business, by the Monetary Board.
- 9.4 Compensation on insured deposit liabilities of a Member Institution will be paid only when the licence issued to the Member Institution is cancelled by the Monetary Board in terms of the relevant statutory provisions.

- 9.5 Within fourteen (14) calendar days from the announcement of the decision of the Monetary Board to cancel its licence, the Member Institution shall submit the list of depositors with the certification of the Director of Bank Supervision in the case of a licensed bank or the Director of Department of Supervision of Non-Bank Financial Institutions in the case of a licensed finance company, in the format specified by the Director of the Department of the Central Bank of Sri Lanka, who shall be responsible for the operational and administrative arrangements of the Scheme as specified in Regulation 10.1 for the purpose of payment of compensation as at the date of the Monetary Board Order of cancellation. For the purpose of certification of the list of depositors, the Director of Bank Supervision and the Director of Department of Supervision of Non-Bank Financial Institutions may obtain the service of an External Auditor, if necessary.
- 9.6 The payment of compensation on insured deposit liabilities of a Member Institution shall be commenced within sixty (60) calendar days from the date of the cancellation of the licence and honour the claims of insured depositors submitted not later than two (02) years from the date of cancellation of the licence. The insured depositors of the Member Institutions whose licences have been cancelled/suspended prior to the date of these Regulations, shall submit their claims not later than four (04) years from the date of the cancellation/suspension of the licence issued to the respective institution.
- 9.7 In the case of a Member Institution, whose licence has been cancelled, the insured depositors thereof, shall be entitled to receive compensation payment under this Regulation, only in so far as such insured depositors submits the duly completed claim for the eligible compensation, before the appointment of the liquidator by the competent court in respect of the liquidation of such Member Institution or before the expiration of the periods to submit claims as specified in Regulation 9.6 above, whichever occurs earlier.
- 9.8 The compensation payable in respect of insured deposits of a Member Institution will be computed on a "per-depositor" basis, consolidating all insured deposits liabilities to each depositor inclusive of any interest accrued as at the date of the cancellation of the licence of the Member Institution. No interest shall be paid for the ensuing period.
- 9.9 The amount of compensation payable to a depositor shall be limited to the total insured deposits computed as above, subject to a maximum amount of Rupees One Million and One Hundred Thousand (Rs.1,100,000), in respect of LKR deposits or in the case of foreign currency deposits, its equivalent in LKR, and up to that extent, if such amount exceeds Rupees One Million and One Hundred Thousand (Rs.1,100,000).
- 9.10 The insured depositors of the Member Institutions whose licences have been cancelled or suspended, as the case may be, prior to 01.04.2021, shall be entitled to receive compensation payable under this Regulation, subject to a maximum of Rupees One Million and One Hundred Thousand (Rs.1,100,000) or its LKR equivalent in the case of foreign currency deposits, provided that such insured depositors have :-
- a) either not claimed compensation as of 01.04.2021, or
 - b) made their claim by 01.04.2021, but have not been paid compensation as at the date of these Regulations coming into force, or
 - c) in cases where compensation been paid by 01.04.2021, but such compensation is less than Rupees One Million and One Hundred Thousand (Rs. 1,100,000).

- 9.11 Any compensation paid to depositors of a Member Institution by the Sri Lanka Deposit Insurance and Liquidity Support Scheme shall be accounted in the books of the Member Institution as its deposit liability to the Sri Lanka Deposit Insurance and Liquidity Support Scheme, while redeeming the deposit liabilities due to the respective depositors by an equivalent amount.
- 9.12 In the event that any depositor is unable to or has not received the entitled compensation at the time of payment of compensation, the legal beneficiaries of the depositor shall be paid the compensation in terms of the applicable legal provisions and procedures.
- 9.13 The Monetary Board may enter into an agreement with a licenced bank/s, if the Monetary Board deems it so necessary, in order to expedite the compensation payments to the depositors of a particular Member Institution, whose licence has been cancelled.
- 9.14 Any specific instructions or guidelines relevant to the compensation payment process of insured depositors of Member Institutions, may be determined by the Monetary Board, from time to time.
- 9.15 The payment of compensation shall not be a liability of the Monetary Board under any circumstances, and shall be strictly limited only to the funds available or raised in the Sri Lanka Deposit Insurance and Liquidity Support Fund, including any borrowings permitted and contributions received. The Monetary Board shall not be responsible for any liability or claim that exceeds the total amount lying to the credit of the Fund, in any manner whatsoever.

10. Books and Accounts of the Fund

- 10.1 There shall be an established Deposit Insurance Unit in the Resolution and Enforcement Department of the Central Bank of Sri Lanka (hereinafter referred to as "the Unit"), which shall be responsible for the operational and management arrangements, under the instructions and supervision of the Director of Resolution and Enforcement in terms of Directions/Regulations and policies as approved by the Monetary Board from time to time.
- 10.2 The Unit shall maintain books, accounts and statements relating to financial transactions of the Fund in terms of the applicable Sri Lanka Accounting Standards.
- 10.3 The financial year of the Fund shall be the calendar year and the Auditor General shall be the Auditor.
- 10.4 The Unit shall prepare financial statements on income and expenses, assets and liabilities, cash flows and investments for each financial year and submit the audited financial statements to the Monetary Board on or before 31st March of the following year and disclose such statements for the information of the Member Institutions and the public.
- 10.5 The financial statements of the Sri Lanka Deposit Insurance and Liquidity Support Fund shall be distinctly separated from the financial statements of the Central Bank of Sri Lanka and accordingly, no consolidation of the Unit's financial statements shall be made with that of the Central Bank of Sri Lanka.

11. Interpretation

- 11.1 For the purposes of these Regulations,
- (i) "Licensed Banks" shall mean all banks, which are licensed under the Banking Act No. 30 of 1988, as amended and "Licensed Finance Companies" shall mean all finance companies, which are licensed under the Finance Business Act No.42 of 2011, as amended.
- (ii) "Loans and advances" shall mean a specified sum of money lent to a Member Institution, at a specified rate of interest on specified collaterals, for a specified period of time for repayment.

(iii) "Insured deposits" shall mean all eligible deposits; provided however, that the maximum amount of compensation payable to a depositor shall be limited to the amount specified in Regulation 9.9, above.

(iii) "Insured depositors" shall mean holders of eligible deposits; provided however, that the maximum amount of compensation payable to a depositor shall be limited to the amount specified in Regulation 9.9, above.

12. Repeal of Regulations

- 12.1 The Sri Lanka Deposit Insurance and Liquidity Support Scheme Regulations, No. 1 of 2010, as amended by subsequent Regulations, is hereby repealed (hereinafter referred to as "the repealed Regulations"). Notwithstanding the repeal effected under these provisions, the Sri Lanka Deposit Insurance and Liquidity Support Scheme, established under the said repealed Regulations shall subsist and be preserved and shall continue in existence, without interruption or impediment, under and subject to the provisions of these Regulations.
- 12.2 The amounts lying to the credit of the Sri Lanka Deposit Insurance and Liquidity Support Fund operated under the said repealed Regulations as at the date of the coming into operation of these Regulations, shall be deemed to be the Sri Lanka Deposit Insurance and Liquidity Support Fund under these Regulations, as at the effective date.
- 12.3 All rights, obligations, assets, properties, liabilities, powers, privileges, authorities attributed to the Scheme operated under the repealed Regulations, and interests arising in or out of such rights, assets, properties and such liabilities, all books, accounts; and documents relating or appertaining to the Scheme operated under the repealed Regulations, and subsisting on the effective date, shall be deemed as from the effective date, to be rights, obligations, assets, properties, liabilities, powers, privileges, authorities, interests, books, accounts and documents of the Scheme under these Regulations.

Finance Business Act Directions No. 01 of 2021

01 January 2021

AMENDMENT TO VALUATION OF IMMOVABLE PROPERTIES

In terms of the powers conferred by section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board hereby issues the following amendments to the Finance Business Act Direction No. 04 of 2018 on Valuation of Immovable Properties issued for Licensed Finance Companies in Sri Lanka.

Accordingly, Direction 4 and Direction 6 of the Finance Business Act Direction No. 04 of 2018 on Valuation of Immovable Properties of Licensed Finance Companies shall be replaced with the following.

4. Eligibility Criteria for Valuers
- 4.1 Every Licensed Finance company shall ensure that:
- a. Eligibility criteria for valuers are set out as follows.
- a.1. A member of the Institute of Valuers of Sri Lanka (IVSL) who shall be:
- i. A Fellow member; or
 - ii. A Professional Associate member with 5 years of experience in such grade of membership.
- For the purpose of determining number of years of experience in the grade of Professional Associate Membership, the transitional provisions stated in the Section 24 of the IVSL (Amendment) Act, No. 9 of 2019, shall be applicable.
- a.2. A Chartered Valuation Surveyor of the Royal Institution of Chartered Surveyors (RICS) of the United Kingdom who shall be:
- i. A Fellow member (FRICS); or
 - ii. Other members of RICS with 5 years' experience in such grade of membership

- b. Valuers selected for the panel of valuers of the Licensed Finance Companies as per the qualifications set out in Direction 4.1 a) above shall acquire Continuous Professional Development as approved/recommended by respective professional body.
- c. Valuation of immovable property undertaken by internal valuers shall satisfy the eligibility criteria set out in the Direction 4.1 a) above.
- d. valuers who maintain highest levels of professional conduct, ethics and integrity in carrying out valuations of immovable property of Licensed Finance Companies are included in the panel of valuers.
6. Frequency of Valuation
- 6.1 The frequency of valuation of immovable property shall be as follows.
- a. Valuation of immovable property obtained as collateral against loans and advances which are non-performing shall be made at the frequency as follows for any regulatory purpose.
- i. In respect of credit facilities granted against residential property which is occupied by the borrower for residential purposes: a report that is not more than five years old.
- ii. All other credit facilities: a report that is not more than four years old.
- b. Valuation of immovable property obtained as collateral against loans and advances which are performing, shall be made at the time of initial granting and at a time of any subsequent enhancement of credit facilities.
- c. Revaluation of immovable property as referred to in Directions 3.1 b) and c) of the Finance Business Act Direction No. 04 of 2018 on Valuation of Immovable Properties shall be made in line with the internal policies approved by Board of Directors or depending on any significant and volatile changes in fair value of such immovable property are experienced. However, such gains can only be included in Tier 2 capital once in three years.
- Revocation of previous Directions
- Finance Business Act Direction No. 04 of 2019 on Amendment to Valuation of Immovable properties is hereby revoked.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Finance Leasing Act Directions No. 01 of 2021

01 January 2021

AMENDMENT TO VALUATION OF IMMOVABLE PROPERTIES

In terms of the powers conferred by section 34 of the Finance Leasing Act, No. 56 of 2000, the Director of the Department of Supervision of Non-bank Financial Institutions issues the following amendments to the Finance Leasing Act Direction No. 04 of 2018 on Valuation of Immovable Properties issued for Specialised Leasing Companies in Sri Lanka.

Accordingly, Direction 5 and Direction 7 of the Finance Leasing Act Direction No. 04 of 2018 on Valuation of Immovable Properties of Specialised Leasing Companies shall be replaced with the following.

5. Eligibility Criteria for Valuers
- 5.1 Every Specialised Leasing Company shall ensure that:
- a. Eligibility criteria for valuers are set out as follows.
- a.1. A member of the Institute of Valuers of Sri Lanka (IVSL) who shall be:
- i. A Fellow member; or
- ii. A Professional Associate member with 5 years of experience in such grade of membership.
- For the purpose of determining number of years of experience in the grade of Professional Associate Membership, the transitional provisions stated in the Section 24 of the IVSL (Amendment) Act, No. 9 of 2019, shall be applicable.

- a.2. A Chartered Valuation Surveyor of the Royal Institution of Chartered Surveyors (RICS) of the United Kingdom who shall be:
- i. A Fellow member (FRICS); or
 - ii. Other members of RICS with 5 years' experience in such grade of membership
- b. Valuers selected for the panel of valuers of the Specialised Leasing Companies as per the qualifications set out in Direction 5.1 a) above shall acquire Continuous Professional Development as approved/ recommended by respective professional body.
- c. Valuation of immovable property undertaken by internal valuers shall satisfy the eligibility criteria set out in the Direction 5.1 a) above.
- d. Valuers who maintain highest levels of professional conduct, ethics and integrity in carrying out valuations of immovable property of Specialised Leasing Companies are included in the panel of valuers
7. Frequency of Valuation
- 7.1 The frequency of valuation of immovable property shall be as follows.
- a. Valuation of immovable property obtained as collateral against loans and advances which are non-performing shall be made at the frequency as follows for any regulatory purpose.
 - i. In respect of credit facilities granted against residential property which is occupied by the borrower for residential purposes: a report that is not more than five years old.
 - ii. All other credit facilities: a report that is not more than four years old.
 - b. Valuation of immovable property obtained as collateral against loans and advances which are performing, shall be made at the time of initial granting and at a time of any subsequent enhancement of credit facilities.
 - c. Revaluation of immovable property as referred to in Directions 4.1 b) and c) of the Finance Leasing Act Direction No. 04 of 2018 on Valuation of Immovable Properties shall be made in line with the internal policies approved by Board of Directors or depending on any significant and volatile changes in fair value of such immovable property are experienced. However, such gains can only be included in Tier 2 capital once in three years.
- Revocation of previous Directions
- Finance Leasing Act Direction No. 02 of 2019 on Amendment to Valuation of Immovable properties is hereby revoked.

J D S J Nanayakkara
**Director, Department of Supervision of Non-Bank
 Financial Institutions, Central Bank of Sri Lanka**

Finance Business Act Directions No. 02 of 2021

17 February 2021

AMENDMENTS TO DIRECTIONS ON LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED IN RESPECT OF MOTOR VEHICLES

Issued under Section 12 of the Finance Business Act, No.42 of 2011.

The Central Bank of Sri Lanka issues Directions as follows for implementation of loan to value ratios in respect of credit facilities granted by Licensed Finance Companies (LFCs), for the purpose of purchase or utilisation of motor vehicles.

1. The following will replace Directions 1 (i) (b) of the Finance Business Act Directions No.03 of 2020 on Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in respect of Motor Vehicles.

“(b) 80 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration.”

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Finance Leasing Act Directions No. 02 of 2021

17 February 2021

AMENDMENTS TO DIRECTIONS ON LOAN TO VALUE RATIOS FOR CREDIT FACILITIES GRANTED IN RESPECT OF MOTOR VEHICLES

Issued under Section 34 of the Finance Leasing Act, No.56 of 2000.

The Central Bank of Sri Lanka issues Directions as follows for implementation of loan to value ratios in respect of credit facilities granted by Specialized Leasing Companies (SLCs) for the purpose of purchase or utilization of motor vehicles.

1. The following will replace Directions 1 (i) (b) of the Finance Leasing Act Directions No.03 of 2020 on Amendments to Directions on Loan to Value Ratios for Credit Facilities Granted in respect of Motor Vehicles.
 - (b) 80 per cent in respect of registered vehicles which have been used in Sri Lanka for more than one year after the first registration.

J D S J Nanayakkara
**Director, Department of Supervision of Non-Bank
 Financial Institutions, Central Bank of Sri Lanka**

Circular No. 04 of 2021

12 March 2021

CONCESSIONS FOR LEASE FACILITIES OBTAINED BY BUSINESSES AND INDIVIDUALS IN PASSENGER TRANSPORTATION SECTOR

With a view to meeting the challenges faced by businesses and individuals engaged in passenger transportation sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed finance companies and specialised leasing companies, (hereinafter referred to as Non-Bank Financial Institutions), to provide concessions for the payment of lease facilities obtained by COVID-19 affected businesses and individuals engaged in passenger transportation services (hereinafter referred to as the Scheme) for a period of six months commencing from 1 April 2021 as specified below.

Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all Non-Bank Financial Institutions (NBFIs).

1. Period of deferment of lease installments

- 1.1. NBFIs shall defer the lease installments for a period not exceeding 6 months commencing from 1 April 2021 or a shorter period as applicable, considering the financial difficulties faced by the eligible borrowers.
- 1.2. On the request made by affected borrowers, the lease installments (both capital and interest) shall be deferred by NBFIs.

2. Deadline for submission of the application

- 2.1. Eligible borrowers may request on or before 19 April 2021, for deferring the lease installments in writing or through electronic means. NBFIs shall expeditiously communicate the concessions, deadline and application format for submission to all eligible borrowers via printed and/or electronic means including email and SMS.
- 2.2. NBFIs shall accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable.

3. Eligible borrowers

- 3.1. Businesses and individuals engaged in providing public passenger transportation, private passenger transportation such as school transport service, office transport service, taxis including three wheelers, etc. and providing passenger transportation services to tourism sector.
- 3.2. NBFIs may request the eligible borrower to submit necessary documentations to ensure that the vehicle is used to provide passenger transportation to the sectors referred in paragraph 3.1 above.

4. Eligible credit facilities

Performing lease facilities including lease facilities under moratorium as at 31 March 2021 obtained by eligible borrowers referred to under paragraph 3 above.

5. Structuring of the concession

5.1. Extending the existing tenure of lease facilities

- (a) NBFIs shall extend the existing tenure of lease facilities eligible for deferment by the respective period of deferment.
- (b) NBFIs may charge an interest rate for the deferred period only on the lease installments falling due during the deferred period, at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 5.5 per cent per annum and shall not exceed 11.5 per cent per annum.
- (c) Such interest accrued on deferred installments shall be recovered from April 2023 along with the existing lease installment falling due during this period on a monthly basis. In the case where, the remaining tenure of the lease facility ends before April 2023, the NBFIs may commence recovery of such interest at the completion of the remaining tenure of the lease facility.
- (d) Once the remaining tenure of the existing lease facility is over, borrowers shall commence repayment of the deferred installments referred to in paragraph 5.1 (a) above.

5.2. Recovery of amounts due on the moratorium

- (a) Considering that the use of public and private transportation is gradually returning to normalcy due to reopening of schools (monthly payments being collected uninterruptedly by many transport providers), offices, airport, etc., potential impact of the extended debt moratoria on the NBFIs, and the ongoing vaccination program, NBFIs shall commence recovery of installments falling due in relation to the moratoria granted during 01 April 2019 to 31 March 2020, 01 April 2020 to 30 September 2020 and 01 October 2020 to 31 March 2021 (hereinafter referred to as moratoria), as applicable, during the deferred period of the existing lease facility referred to in paragraph 5.1(a) above.
- (b) The repayment of the remaining installments due in relation to the previous moratorium as referred to in paragraph 5.2(a) above, shall be deferred until the remaining tenure including the deferred period of the existing lease facility is over.
- (c) For such deferred period of the installments due in relation to the moratoria, interest shall accrue at a rate not exceeding the latest auction rate for 364-days Treasury Bills, available as at 01 April 2021, plus 5.5 per cent per annum and shall not exceed 11.5 per cent per annum.
- (d) Such interest shall be recovered on a monthly basis immediately after completing the payment of interest referred in paragraphs 5.1(b) and (c) above along with the installments on the existing lease facility and deferred installments relating to moratoria referred to in paragraph 5.2(b), as applicable.
- (e) Once the remaining tenure including the deferred period of the existing lease facility is over, borrowers shall commence repayment of the deferred installments relating to the moratoria referred to in paragraph 5.2(b) above.

5.3. If the borrower submits a written request to settle the lease instalments falling due during the deferred period including the dues of moratoria and interest for the deferred period, early, NBFIs may facilitate such requests. In such case, NBFIs and the borrower shall agree on the structure, interest rate and the tenure.

5.4. NBFIs may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. In such case, NBFIs shall clearly explain the interest computation under all options including the structure proposed in this Circular to the borrower, prior to approving such concession.

5.5. NBFIs shall waive off the penal interest accrued and unpaid as at 01 April 2021, if any and penal interest shall not be accrued and charged during the period of deferment.

5.6. NBFIs shall not levy excessive fees or charges in relation to granting of the concessions.

5.7. In the case of declined requests, NBFIs shall clearly mention the reason for such decline.

6. Accounting considerations on deferment of lease instalments

NBFIs shall account for the deferment of lease instalments as per Sri Lanka Accounting Standards and any additional guidance provided by CA Sri Lanka (CASL) on Financial Reporting implications due to the outbreak of COVID-19. NBFIs may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

7. Reporting requirement

NBFIs shall report the details of deferment of lease instalments availed by their borrowers to the Department of Supervision of Non-Bank Financial Institutions as at the end of each month, within 15 working days, commencing from 30 April, 2021. A reporting format will be issued in due course.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Circular No. 05 of 2021

19 March 2021

EXTENSION OF DEBT MORATORIUM FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS IN THE TOURISM INDUSTRY

With a view to meeting the challenges faced by businesses and individuals engaged in tourism sector due to the ongoing COVID-19 pandemic, the Central Bank of Sri Lanka (CBSL) requests licensed finance companies and specialised leasing companies, (hereinafter referred to as Non-Bank Financial Institutions (NBFIs)), to extend the debt moratorium granted for tourism sector under Circular No. 09 of 2020 dated 30 September 2020 for another six months (hereinafter referred to as the Scheme) commencing from 1 April 2021 as specified below. However, NBFIs may offer any additional options to borrowers, on the request of the borrower, in a way that the overall benefits to borrowers are not less than the benefits offered under this Circular. The aforementioned extension is granted in order to provide adequate time for borrowers to come up with proposals for a long-term arrangement. Therefore, borrowers shall submit an acceptable plan to NBFIs for restructuring of credit facilities over a long period of time, prior to the expiry of the extended moratorium period. Such plans shall be assessed on case-by-case basis by NBFIs. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all NBFIs.

The following provision of the Circular No. 09 of 2020 has been amended and other provisions will remain unchanged:

1. General Terms and Conditions

- 1 (iii) Debt moratorium refers to moratorium for both capital and interest for a further period of six months commencing 1 April 2021 to 30 September 2021.
- 1 (iv) Eligible borrowers who wish to avail the moratorium shall make a request seeking such moratorium to the relevant NBFI on or before 19 April 2021. NBFIs are requested to accept any request submitted after 19 April 2021, if the reasons for delay in making such request is acceptable. NBFIs are required to finalise the terms and conditions and enter into new agreements with eligible borrowers before 31 May 2021.
- 1 (vii) The instalment due on the interest free term loan (i.e. the interest accrued during the first moratorium period from 1 April 2020 to 30 September 2020) as per the Explanatory Note No.03 of 2020 and No.04 of 2020, and instalment due on converted term loan as per the Circular No.09 of 2020, may be recovered from the eligible borrowers commencing from 01 October 2021, if customers make a such request.

2. Structuring the debt moratorium

- 2 (i) NBFIs shall convert the capital and interest falling due during the moratorium period commencing from 1 April 2021 to 30 September 2021 into a term loan.
- 2 (ii) NBFIs may commence recovery of such converted loan once the extended moratorium period is over.
- 2 (v) NBFIs shall waive off the accrued and unpaid penal interest as at 1 April 2021, if any, on credit facilities considered under this Circular. Penal interest shall not be accrued and charged during the moratorium period.

Prof. W D Lakshman
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Finance Business Act Directions No. 03 of 2021

31 March 2021

AMENDMENTS TO DIRECTIONS ON LIQUID ASSETS

Issued under Section 12 of the Finance Business Act, No.42 of 2011

The Monetary Board hereby issues following amendments to the Directions on liquid assets of the Licensed Finance Companies (LFCs), considering the challenging operating environment due to the prolonged impact of the second wave of the COVID-19 pandemic.

Accordingly, the following will replace Direction 5 of the Finance Business Act (Amendments to Directions on Liquid Assets) Direction No.07 of 2020.

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| 5. Validity Period | 5.1 The Directions 2, 3 and 4.1 shall be effective for an extended period of three (3) months until 30.06.2021, in order to facilitate the LFCs to overcome the stress on liquidity due to the present challenging environment. |
| | 5.2 LFCs shall take necessary measures to ensure that the liquid assets requirement in terms of the Finance Companies (Liquid Assets) Direction No. 04 of 2013 are complied on the expiration of the extension given in 5.1 above. |

Prof. W D Lakshman

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

Finance Leasing Act Directions No. 03 of 2021

31 March 2021

AMENDMENTS TO DIRECTIONS ON LIQUID ASSETS

Issued under Section 34 of the Finance Leasing Act, No.56 of 2000

The Director of the Department of Supervision of Non-Bank Financial Institutions issues the following amendments to Finance Leasing Act (Amendments to Direction on Liquid Assets) Direction No.06 of 2020, considering the challenging operating environment due to the prolonged impact of the second wave of the COVID-19 pandemic.

Accordingly, the following will replace Direction 2 of the Finance Leasing Act (Amendments to Direction Liquid Assets) Direction No.06 of 2020.

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| 2. Validity Period | 2.1 The Directions shall be effective for an extended period of three (3) months until 30.06.2021, in order to facilitate the SLCs to overcome the stress on liquidity due to the present challenging environment. |
| | 2.2 SLCs shall take necessary measures to ensure that that the liquid assets requirement in terms of the Finance Leasing (Liquid Assets) Direction No. 04 of 2012 are complied on the expiration of the extension given in 2.1 above. |

J D S J Nanayakkara

**Director, Department of Supervision of Non-Bank
Financial Institutions, Central Bank of Sri Lanka**

Finance Business Act Directions No. 04 of 2021

09 April 2021

FOREIGN CURRENCY BORROWINGS

- | | |
|---------------------------------|---|
| 1. Legal provisions | 1.1 In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011, the Monetary Board issues these directions on foreign currency borrowings by the Licensed Finance Companies (LFCs). |
| 2. Objectives of the directions | 2.1 Stabilise any unwarranted macro-economic and financial sector volatilities in the country created by the foreign funding exposures of LFC sector. |

- 2.2 Provide a risk management framework for LFCs on the exposures to foreign currency borrowings.
3. Applicability and scope 3.1 These directions shall be applicable to all foreign currency borrowings by LFCs.
4. Responsibility of Board of Directors 4.1 All foreign currency borrowings of an LFC shall be approved by the Board of Directors after evaluating the rationale, cost benefit analysis of borrowings and availability of adequate risk management practices.
- 4.2 Board of Directors shall establish board approved prudent foreign exchange risk management policies and procedures, and oversee the implementation of the same.
5. Tenure 5.1 Foreign currency borrowings shall be with a maturity of 2 years or more.
6. Limits on Foreign Currency Borrowings 6.1 The maximum outstanding amount of foreign currency borrowings by an LFC at a particular time shall be determined as a percentage of its total assets
- 6.2 The percentage of foreign currency borrowings of an LFC shall be based on the criteria given for each level in Table 1, below.

Level	Criteria	Limit as a % of total assets	Approvals required
1.	LFCs meeting the prudential requirements stipulated in section 8.2 at the time of borrowing	10.0	Notify the Director prior to and after borrowing
2.	i. Meet criteria in level 1. ii. Maintain capital conservation buffer of 1% in addition to the minimum capital adequacy requirement, and iii. Availability of a publishable credit rating of investment grade (BBB-) and above.	Over 10.0 -15.0	Prior approval of the Director
3.	i. Meet criteria in level 2. ii. Such borrowings shall be unsecured and subordinated to the claims of depositors, and iii. Utilize such borrowings solely to lend/invest for the purposes of exports, import substitutions, government development projects, small and medium enterprises, projects generating foreign income, any other sector deemed to be priority sector as determined by the Monetary Board.	Over 15.0 – 20.0	Prior approval of the Monetary Board

7. Requirements for approvals 7.1 Any LFC shall meet the following requirements when notifying or obtaining approval for foreign currency borrowings on the levels as specified in section 6, above.
- i. Level 1 -
- a. Submit the approval granted by the Board of Directors of LFC, term sheet and other relevant details of the prospective foreign currency borrowings to the Director prior to obtaining the facility, and
- b. Notify the details and the bank confirmation of the foreign currency borrowing to the Director within 3 working days after obtaining the borrowing.

- ii. Level 2 - Obtain the prior written approval of the Director by submitting the approval granted by the Board of Directors of LFC, term sheet and other relevant details of the prospective foreign currency borrowing.
 - iii. Level 3 - Obtain the prior written approval of the Monetary Board by submitting the approval granted by the Board of Directors of LFC, term sheet and other relevant details of the prospective foreign currency borrowing.
 - 7.2 Foreign currency borrowings approved by the Director or the Monetary Board, as the case may be, shall be obtained within 3 months from the date of such approval.
- 8. Other terms and conditions
 - 8.1 Foreign currency borrowings by LFCs shall comply with the applicable provisions of the Foreign Exchange Act, No. 12 of 2017 and directions/regulations issued thereunder.
 - 8.2 LFCs shall comply with the prudential requirements, including, but not limited to, Directions on minimum capital adequacy ratios, minimum core capital and liquid assets.
 - 8.3 LFCs shall use the foreign currency borrowings strictly for the purpose(s) given in the loan agreement with the counterparty.
 - 8.4 LFCs shall hedge the foreign exchange risk of the foreign currency loan proceeds by using currency SWAPS with the Central Bank of Sri Lanka (CBSL) through Licensed Commercial Banks as per the prevailing guidelines for SWAP arrangements with the CBSL. Further, LFCs shall appropriately hedge the foreign exchange risk on the interest payment by using appropriate market derivative products and manage the interest rate risk arising from such foreign currency borrowings.
 - 8.5 The total borrowing cost including interest rate, hedging cost and all related costs of the borrowing shall be less than the interest rates ceiling stipulated for debt instruments given in the Maximum Interest Rates on Deposits and Debt Instruments Direction or any amendment thereto
- 9. Transitional Arrangements Any LFC which has obtained foreign currency borrowings as at the date of these Directions in excess of the maximum limits as specified under section 6 above are permitted to service the existing arrangements.
- 10. Interpretations
 - 10.1 'Foreign currency' shall mean any designated foreign currency.
 - 10.2 'Director' shall mean Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka
 - 10.3 'Total assets' shall be the amount as per the latest annual audited financial statements or interim financial statements as certified by the External Auditor of the LFC.

Prof. W D Lakshman

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

Circular No. 06 of 2021

09 June 2021

CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

With the outbreak of the third wave of COVID-19 in Sri Lanka, Central Bank of Sri Lanka (CBSL) received many requests from concerned parties and Government Authorities to consider granting certain concessions to the affected borrowers/customers. Accordingly, with a view to meeting the challenges faced by businesses and individuals due to the third wave of COVID-19, CBSL requests Licensed Finance Companies and Specialised Leasing Companies (hereinafter referred to as Non-Banking Financial Institutions (NBFIs)), to extend the following concessions to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme). Further, NBFIs may offer additional concessions to businesses and individuals affected due to the third wave of COVID-19, on their request, in a way that the overall benefits to the borrower/customer are not less than the benefits offered under this Circular. Accordingly, this Circular is issued to give effect to the Scheme in a consistent manner across all NBFIs, with a view to easing the burden on the borrowers of NBFIs that are affected by the current disruption in business /income generating activities to duly repay their loans.

1. Deferment or restructuring of existing credit facilities in the performing category as at 15 May 2021

- (a) NBFIs shall defer recovery of capital, interest, or both of the existing credit facilities of borrowers who are affected by the third wave of COVID-19, on case-by-case basis, during the period up to 31 August 2021, considering the financial difficulties faced by the eligible borrowers, such as loss of job, loss or reduction of income/salaries or sales, closure of business, etc.
- (b) The deferment of capital, interest or both shall be granted for one or more of the existing credit facilities granted considering the financial difficulties and repayment capacity of the eligible borrowers.
- (c) For credit facilities considered for the above deferment, NBFIs may charge an interest rate not exceeding the 364-days Treasury Bills auction rate as at 19 May 2021 plus 5.5 per cent per annum (i.e., 5.18% + 5.5% = 10.68% p.a.) for the deferred period and only on the amount deferred amount.
- (d) Alternatively, NBFIs may restructure the existing credit facilities over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the NBFIs and the borrower shall agree on an interest rate, considering the prevailing low interest rates.
- (e) Penal interest shall not be accrued or charged during the concessionary period, i.e., 15 May to 31 August 2021.
- (f) NBFIs shall accommodate any request from affected borrowers to delay the due dates of loans repayment by few days (maximum 10 working days) due to the ongoing travel restrictions, without deferring or re-structuring such facilities. NBFIs shall not charge any additional interest or other charges for such delay.
- (g) Borrowers who are currently enjoying deferment of lease repayments under Circular No. 04 of 2021 issued on 12 March 2021 or moratorium under Circular No. 05 of 2021 issued on 19 March 2021 are not eligible for concessions provided above.

2. Concessions for credit facilities in the non-performing category as at 15 May 2021

- (a) NBFIs may reschedule the existing non-performing credit facilities as at 15 May 2021 of eligible borrowers under this scheme, over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan. In this case, the NBFIs and the borrower shall agree on the terms and conditions including the interest rate.
- (b) NBFIs shall waive-off penal interest accrued or charged during the period 1 April 2020 to 15 May 2021, provided such facilities are considered for rescheduling under the scheme as specified in 2 (a) above.
- (c) NBFIs shall suspend all types of recovery actions against credit facilities of eligible borrowers that have been classified as non-performing on or after 01 April 2020, until 31 August 2021.
- (d) NBFIs shall not levy excessive fees or charges in relation to granting of concessions.

3. NBFIs shall discontinue late payment fee on credit cards and other credit facilities during the period up to 30 June 2021, for those who are demonstrably affected.

4. NBFIs shall not charge any early settlement fee for eligible borrowers under this circular, in the case where a borrower has expressed his willingness to settle his/her existing credit facilities on or before 31 August 2021, instead of opting for the deferment or restructuring of the existing credit facility/facilities

5. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- (a) NBFIs shall not decline loan applications from eligible borrowers under this Scheme solely based on an adverse CRIB record.
- (b) NBFIs, in consultation with CRIB, shall develop a reporting modality to report deferment/ restructuring granted under this Scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

6. Deadline for submission of request

- (a) Eligible borrowers may request for the above concessions on or before 15 July 2021 in writing or through electronic means. NBFIs shall expeditiously communicate the concessions, deadline, and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- (b) NBFIs shall accept any request submitted after 15 July 2021, if the reasons for delay in making such request is acceptable.

- (c) Any eligible borrower who has the capacity to service the loan repayment is expected to service such loan repayments instead of requesting for deferment or restructuring of credit facilities.
- (d) NBFIs shall ensure that the borrowers are made aware of the structure of the deferment or restructuring of credit facilities prior to approval. In the case of declined requests, NBFIs shall clearly mention the reasons for such decline.

7. Accounting considerations on the moratorium

NBFIs shall account for the concession granted under this scheme as per Sri Lanka Accounting Standards and additional guidance provided by CBSL under letter dated 31 December 2020. NBFIs may seek advice from CASL and Auditors for additional guidance/clarification in this regard.

8. Reporting requirement

NBFIs shall report the details of concessions availed by their borrowers to the Department of Supervision of Non-bank Financial Institutions as at 30th of each month, within 15 working days, commencing 30 July 2021. The reporting format will be circulated in due course.

Prof. W D Lakshman

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

Local Treasury Bills Ordinance and Registered Stock and Securities Ordinance Directions No. 01 of 2021

09 July 2021

MINIMUM CAPITAL REQUIREMENT OF PRIMARY DEALER COMPANIES

In terms of powers conferred by the Regulations 6(1) read with 11(1) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and the Regulations 6(1) read with 11(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended, made by the Minister of Finance under the Local Treasury Bills Ordinance No. 8 of 1923 and the Registered Stock and Securities Ordinance No. 7 of 1937, respectively, the Monetary Board, having regard to the viability and stability of the primary dealer system, issues Directions as follows on minimum capital requirement of Primary Dealer (PD) Companies.

- | | |
|---|--|
| 1. Empowerment under the Local Treasury Bills (Primary Dealers) Regulations and Registered Stock and Securities (Primary Dealers) Regulations | <p>1.1 In terms of the Regulation 11(1) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and the Regulation 11(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended, the Central Bank may issue Directions to a PD to ensure compliance with the Regulations including Directions on capital, reserves, capital adequacy and other prudential and operating requirements of a Primary Dealer.</p> <p>1.2 In terms of the Regulation 6(1) of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and the Regulation 6(1) of the Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended, the Monetary Board may having regard to the viability and stability of the PD system, determine the capital required to be maintained by a PD Company and may vary such determination, from time to time.</p> |
| 2. Minimum Capital Requirement | <p>2.1 Every PD Company shall, at all times, maintain the core capital at a level not less than Rs. 1.0 billion until 31.12.2021, and thereafter, maintain such capital at a level not less than the amounts stipulated in Table 1 below with effect from the respective date.</p> |

Table 1 - Minimum Capital Requirement for PD Companies

Effective Date	Amount (Rs. Billion)
01.01.2022	2.0
01.01.2023	2.5

-
3. Special Risk Reserve
- 3.1 Every PD Company shall, at all times, maintain a special risk reserve, in order to promote the safety, soundness and the stability of the PD Company and the PD system and to build up the PD Company's capital base.
- 3.2 Every PD Company shall, out of the audited profit (after tax) of each financial year, transfer to the special risk reserve, a sum not less than 10 per cent of such profits.
- 3.3 Notwithstanding the direction 3.2 above, the Director of the Department of Supervision of Non-Bank Financial Institutions (DSNBFI) may, at any time, require a PD Company to transfer a sum higher than that required by direction 3.2.
- 3.4 A PD Company may, upon an application made to the DSNBFI, be permitted to transfer a sum less than that required by direction 3.2 or to draw down the special risk reserve, after an assessment of PD Company's performance, capital position and risk profile, and subject to such terms and conditions as DSNBFI may deem necessary.
4. Capital Assessment and Planning Process
- 4.1 Every PD Company shall have a sound capital assessment process, which determines the level of capital and its buffers to be maintained against all material risk exposures which can reliably be quantified under normal and stress conditions.
- 4.2 Every PD Company shall develop a capital plan with time targets, approved by its Board of Directors, at least for three years, which stipulates means by which the Company intends to meet its current and future capital needs in line with the Company's strategies, risk profile and regulatory requirements. Such plan shall also capture the future expansions, other sources of funds, distribution policies and potential uncertainties.
- 4.3 Where a PD Company maintains the core capital at a level below Rs. 2.5 billion as at the effective date of these directions or at any time thereafter and if such shortfall persists for a period more than 3 months, such Company shall, within 3 months, submit a time bound plan for capital augmentation, in line with the minimum capital requirements and time frames as stipulated in the direction 2.1 above, which shall be acceptable to DSNBFI.
5. Distributions
- 5.1 Every PD Company shall have a distribution policy approved by its Board of Directors, which stipulates the criteria for making distributions of its earnings.
- 5.2 Prior to making a distribution, a PD Company shall notify the details of such distribution to DSNBFI and distributions under following circumstances require the prior written approval of DSNBFI.
- (i) Accumulated distribution for the period which such distribution relates to (including the proposed distribution) exceeds the profit (after tax) for the said period, or a PD Company has incurred a cumulative loss for that period, as per the latest available financial statements; or
- (ii) Making the distribution requires the use of earnings of prior financial years; or
- (iii) Accumulated earnings of prior financial years remain negative before or after the proposed distribution; or
- (iv) Core capital remains at a level below Rs. 2.5 billion before or after the proposed distribution
- 5.3 Where a PD Company decides to make a distribution for an interim period or prior to availability of annual audited financial statements, the Company shall ensure that it retains a sum not less than that required by directions 3.2, 3.3 and 3.4 above, as applicable, based on the profits (after tax) for the period which such distribution relates to, as per its latest available financial statements.
- 5.4 Where a PD Company has failed to comply with the minimum capital requirements stipulated in the direction 2.1 above or with the minimum Risk Weighted Capital Adequacy Ratio as at the end of the period for which a distribution relates to, or if a PD Company fails to comply with the said requirements after a proposed distribution, such PD Company shall not make any distribution until such compliance is effected and confirmed to DSNBFI.

- 5.5 Every PD Company shall ensure that it has complied with any other legal and/or regulatory requirements with regard to distributions of the PD Company.
- 5.6 A PD Company shall not enter into transactions with any counterparty with a view of undue transferring of profits or losses of the Company.
6. Disclosures
- 6.1 A PD Company shall disclose as explanatory notes in its annual audited financial statements;
- (i) Where a PD Company has failed to comply with the minimum capital requirements within the time frames as stipulated in the direction 2.1 above, such fact with the value of shortfall in core capital
- (ii) Description of events, if any, which occurs between the end of the reporting period and the date on which the financial statements are authorised for issue, which resulted in a depletion of its core capital to a level below the minimum capital requirements stipulated in direction 2.1 above.
7. Effective Date and Revocation of Previous Directions
- 7.1 These Directions shall be effective from 01.08.2021.
- 7.2 Primary Dealer Companies (Minimum Core Capital) Direction No. 1 of 2015 is revoked from the effective date of these Directions.
8. Definitions
- 8.1 For the purposes of these directions;
- (i) "Distribution" shall have same meaning as defined in the Companies Act, No. 07 of 2007, or as amended.
- (ii) "Primary Dealer Company" shall mean a Company which is appointed as a Primary Dealer in terms of the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended and excludes a Licensed Commercial Bank so appointed as a Primary Dealer.
- (iii) "Risk Weighted Capital Adequacy Ratio" shall mean the ratio which is computed as per the Direction on Risk Weighted Capital Adequacy Framework for Primary Dealers dated 22.06.2006, or as amended.
- (iv) "Core Capital" shall mean the Tier I capital as defined in the Local Treasury Bills (Primary Dealers) Regulations No. 01 of 2009, or as amended and Registered Stock and Securities (Primary Dealers) Regulations No. 01 of 2009, or as amended.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 07 of 2021

10 September 2021

AMENDMENT TO CIRCULAR NO. 06 OF 2021 ON CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

Central Bank of Sri Lanka issues following amendments to the Circular No. 06 of 2021 on concessions for COVID-19 affected businesses and individuals.

Paragraph 1(a), 1(e), 1(f), 2(c) and paragraph 4 will be amended as follows. All other clauses will remain unchanged.

- 1 (a) NBFIs shall extend the deferment of recovery of capital, interest, or both of the existing credit facilities of borrowers who enjoying the deferment under Circular No. 06 of 2021 until 30 September 2021.
1. (e) Penal interest shall not be accrued or charged during the concessionary period, i.e., up to 30 September 2021.
1. (f) NBFIs shall accommodate any request from affected borrowers to delay the due dates of loans repayment by few days (maximum 15 working days) due to the quarantine lockdown without deferring or re-structuring such facilities. NBFIs shall not charge any additional interest or other charges for such delay.

2. (c) NBFIs shall suspend all types of recovery actions against credit facilities of eligible borrowers that have been classified as non-performing on or after 01 April 2020, until 30 September 2021.
4. NBFIs shall not charge any early settlement fee for eligible borrowers under this circular, in the case where a borrower has expressed his willingness to settle his/her existing credit facilities on or before 30 September 2021, instead of opting for the deferment or restructuring of the existing credit facility/facilities.

Prof. W D Lakshman
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Circular No. 08 of 2021

24 September 2021

RECOGNITION OF LANKA RATING AGENCY LTD AS AN ACCEPTABLE CREDIT RATING AGENCY

The Central Bank of Sri Lanka recognizes Lanka Rating Agency Ltd (LRA) as an acceptable External Credit Assessment Institutions for the following purpose,

- i. Circular No.01 of 2018 - Credit Ratings;
- ii. Finance Business Act Directions No.03 of 2018 – Capital Adequacy Requirement for Licensed Finance Companies (LFCs) and Finance Leasing Act Directions No.03 of 2018- Capital Adequacy Requirements for Specialized Leasing Companies (SLCs);
- iii. Finance Business Act Directions No. 01 of 2020 – Classification and measurement of credit facilities and Finance Leasing Act Directions No.01 of 2020 – Classification and measurement of credit facilities;
- iv. Finance Business Act Directions No.04 of 2021 – Foreign Currency Borrowings and
- v. Other related regulatory requirements pertaining to LFCs ad SLCs.

Accordingly, Table 5 under the item No. 2.3 of Part 2- Computation of Total Risk Weighted Assets of Schedule I of the Finance Business Act Directions No.03 of 2018 – Capital Adequacy Requirement for LFCs and Finance Leasing Act Directions No.03 of 2018- Capital Adequacy Requirements for SLCs is revised as in Annex.

J P Gamalath
**Director, Department of Supervision of
 Non-Bank Financial Institutions,
 Central Bank of Sri Lanka**

**Table 5 - Mapping of Notations of the Credit Rating Agencies
 in Sri Lanka**

Fitch Rating Lanka	ICRA Lanka Limited	Lanka Rating Agency Limited	Rating Scale for Capital Ratios
AAA (lka)	(SL) AAA	AAA	AAA
AA+ (lka)	(SL) AA+	AA+	AA+
AA (lka)	(SL) AA	AA	AA
AA- (lka)	(SL) AA-	AA-	AA-
A+ (lka)	(SL) A+	A+	A+
A (lka)	(SL) A	A	A
A- (lka)	(SL) A-	A-	A-
BBB+ (lka)	(SL) BBB+	BBB+	BBB+
BBB (lka)	(SL) BBB	BBB	BBB
BBB- (lka)	(SL) BBB-	BBB-	BBB-
BB+ (lka)	(SL) BB+	BB+	BB+
BB (lka)	(SL) BB	BB	BB
BB- (lka)	(SL) BB-	BB-	BB-
B+ (lka)	(SL) B+	B+	B+
B (lka)	(SL) B	B	B
B-(lka) & Lower	(SL) B- & Lower	B- & Lower	B- & Lower

Circular No. 09 of 2021

06 October 2021

EXTENSION OF CONCESSIONS FOR COVID-19 AFFECTED BUSINESSES AND INDIVIDUALS

The Central Bank of Sri Lanka has received many requests from concerned parties and Government Authorities to extend the concessions granted to the borrowers affected by the continuation of the outbreak of the COVID-19 pandemic in Sri Lanka. Accordingly, in order to facilitate meeting the challenges faced by businesses and individuals, CBSL requests Licensed Finance Companies and Specialised Leasing Companies (hereinafter referred to as Non-Bank Financial Institutions (NBFIs)), to extend the following concessions to COVID-19 affected businesses and individuals (hereinafter referred to as the Scheme).

Further, NBFIs may offer additional concessions than given in this Scheme to affected businesses and individuals, on their request. Accordingly, this Circular is issued to provide concessions in a consistent manner to all affected borrowers of NBFIs, with a view to easing the burden on the borrowers of NBFIs to duly repay their loans.

1. Eligible Borrowers

- 1.1. A borrower of NBFIs, who faces financial difficulties, such as loss or reduction of income/salaries or sales, closure of business or loss of employment, etc., due to COVID-19 would be eligible to receive these concessions.
- 1.2. The eligible borrowers of transportation and tourism sectors, who have availed concessions under the Circular No. 04 and No. 05 of 2021 are also eligible to obtain concessions under this Scheme.

2. Eligible Concessions

2.1. Eligible borrowers opting for concessions under this Scheme shall choose one of the three options given below.

(i) Option 01: Restructuring of credit facilities

- (a) NBFIs shall restructure the existing credit facilities (performing and non-performing as at 01 October 2021) over a longer period, considering the repayment capacity of the borrower and an acceptable revival plan agreed by both parties.
- (b) The interest rate applicable for 2.1(i)(a) above shall be the original contractual interest rate minus 3 percent per annum, subject to a floor of 11.5 percent per annum and cap of 15 percent per annum.
- (c) A minimum of 3 months grace period shall be granted to commence repaying capital portion of the instalment as per restructured terms.
- (d) NBFIs may aggregate the amounts fallen due during the previous moratorium schemes (i.e., capital, interest and additional accumulated concessionary interest during the moratorium period) with the balance capital outstanding at the time of restructuring.
- (e) Any additional interest charged on inability to repay the instalment as per agreed terms, shall not exceed 2 percent per annum and charged only on the amount in arrears.
- (f) NBFIs shall waive-off penal interest accrued or charged during the period 1 April 2020 to 30 September 2021.

(ii) Option 02: Facilitating early settlement

If an eligible borrower is willing to settle the existing credit facilities on or before 31 March 2022, NBFIs shall fully waive-off future interest, fees and applicable charges.

(iii) Option 03: Extending the moratorium for performing credit facilities as at 01 October 2021

- (a) NBFIs shall defer recovery of capital, interest, or both up to 31 March 2022.
- (b) NBFIs shall convert the capital and interest falling due during the moratorium period into a term loan.
- (c) NBFIs shall aggregate the amounts fallen due during the previous moratorium schemes (i.e., capital, interest and additional accumulated concessionary interest during the moratorium period) and the term loan referred to in 2.1(iii)(b) above, into a new loan.
- (d) NBFIs may charge an interest rate on the new loan, not exceeding 11.5 percent per annum.
- (e) NBFIs may commence recovery of new loan referred to in 2.1(iii)(c) above commencing from 01 July 2022 with a minimum repayment period of 12 months.

- (f) The borrower shall commence the repayment of the original loan instalment from 01 April 2022.
- (g) NBFIs shall extend the due dates of revolving credit facilities up to 31 March 2022, if such due dates fall from 01 October 2021 to 31 March 2022.
- (h) Penal interest shall not be accrued or charged during the moratorium period.

2.2. Suspension of recovery actions: NBFIs shall suspend all types of recovery actions against credit facilities of eligible borrowers until 31 March 2022, provided that such facilities have been classified as non-performing on or after 01 April 2020 and the respective borrowers are not in a position to continue/immediately start repayment of loans due to the disruption to their normal income earning activities.

3. Reporting to the Credit Information Bureau (CRIB) of Sri Lanka

- 3.1. NBFIs shall not to decline loan applications from eligible borrowers solely based on an adverse CRIB record.
- 3.2. NBFIs, in consultation with CRIB, shall develop a reporting modality to report moratorium/restructuring granted under this scheme, so that participation in the Scheme will not have an impact on the credit score of borrowers in the future, or be negatively reflected in future CRIB reports.

4. Deadline for Submission of request and Appeal Procedure

- 4.1. NBFIs shall circulate this Circular to all branches within 3 working days and provide necessary internal guidelines/circulars within 7 days.
- 4.2. Eligible borrowers who are opting for concessions under option 01 and option 03 above, shall apply for the above concessions on or before 01 November 2021 in writing or through electronic means. NBFIs shall expeditiously communicate the concessions, deadline, and application format for submission to all eligible borrowers via printed and/or electronic means including e-mail and SMS.
- 4.3. NBFIs shall accept any request submitted after 01 November 2021, if the reasons for delay in making such request is acceptable.
- 4.4. NBFIs shall ensure that the borrowers are made aware of the structure of the moratorium or restructuring of credit facilities prior to approval.
- 4.5. In the case of declined requests, NBFIs shall inform the borrower in writing or through electronic means and clearly mention the reasons for rejection.
- 4.6. NBFIs shall educate the borrowers on the option to appeal against such rejection to the Director, Financial Consumer Relations Department (FCRD), Central Bank of Sri Lanka requesting for a review.

5. Accounting Treatments on the Moratorium

NBFIs shall account for the concession granted under this scheme as per Sri Lanka Accounting Standards and additional guidance provided by CBSL under letter dated 31 December 2020. In the case of risk elevated borrowers or sectors, NBFIs are required to make adequate impairment charges. NBFIs may seek advice from Institute of Chartered Accountants Sri Lanka (CASL) and Auditors for additional guidance/clarification in this regard.

6. Reporting Requirement

NBFIs shall report the details of concessions availed by their borrowers to the Department of Supervision of Non-Bank Financial Institutions as at 30th of each month, within 15 working days, commencing 30 November 2021. The reporting format will be circulated in due course.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Finance Business Act Directions No. 05 of 2021

31 December 2021

CORPORATE GOVERNANCE

In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011 (FBA), the Monetary Board of the Central Bank of Sri Lanka hereby issues the following directions on corporate governance and shall be applied to every finance company licensed under the FBA with a view to further strengthen the corporate governance practices of the finance company.

1. Board's overall responsibilities
 - 1.1 The Board shall assume overall responsibility and accountability for the operations of the Finance Company (FC), by setting up the strategic direction, governance framework, establishing corporate culture and ensuring compliance with regulatory requirements. The Board shall carry out the functions listed in Direction 1.2 to 1.7 below, but not limited to, in effectively discharging its responsibilities.
 - 1.2 Business Strategy and Governance Framework
 - a) Approving and overseeing the implementation of the FC's overall business strategy with measurable goals for next three years and update it annually in view of the developments in the business environment.
 - b) Approving and implementing FC's governance framework commensurate with the FC's size, complexity, business strategy and regulatory requirements.
 - c) Assessing the effectiveness of its governance framework periodically.
 - d) Appointing the Chairperson and the Chief Executive Officer (CEO) and define the roles and responsibilities.
 - 1.3 Corporate Culture and Values
 - a) Ensuring that there is a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.
 - b) Playing a lead role in establishing the FC's corporate culture and values, including developing a code of conduct and managing conflicts of interest.
 - c) Promoting sustainable finance through appropriate environmental, social and governance considerations in the FC's business strategies.
 - d) Approving the policy of communication with all stakeholders, including depositors, shareholders, borrowers and other creditors, in the view of projecting a balanced view of the FC's performance, position and prospects in public and regulators.
 - 1.4 Risk Appetite, Risk Management and Internal Controls
 - a) Establishing and reviewing the Risk Appetite Statement (RAS) in line with FC's business strategy and governance framework.
 - b) Ensuring the implementation of appropriate systems and controls to identify, mitigate and manage risks prudently.
 - c) Adopting and reviewing the adequacy and the effectiveness of the FC's internal control systems and management information systems periodically.
 - d) Approving and overseeing business continuity and disaster recovery plan for the FC to ensure stability, financial strength, and preserve critical operations and services under unforeseen circumstances.
 - 1.5 Board Commitment and Competency
 - a) All members of the Board shall devote sufficient time on dealing with the matters relating to affairs of the FC.
 - b) All members of the Board shall possess necessary qualifications, adequate skills, knowledge, and experience.
 - c) The Board shall regularly review and agree the training and development needs of all the members.
 - d) The Board shall adopt a scheme of self-assessment to be undertaken by each director annually on individual performance, of its Board as a whole and that of its committees and maintain records of such assessments.

- e) The Board shall resolve to obtain external independent professional advice to the Board to discharge duties to the FC.
- 1.6 Oversight of Senior Management
- a) Identifying and designating senior management, who are in a position to significantly influence policy, direct activities and exercise control over business operations and risk management.
- b) Defining the areas of authority and key responsibilities for the senior management.
- c) Ensuring the senior management possess the necessary qualifications, skills, experience and knowledge to achieve the FC's strategic objectives.
- d) Ensuring there is an appropriate oversight of the affairs of the FC by senior management.
- e) Ensuring the FC has an appropriate succession plan for senior management.
- f) Meeting regularly with the senior management to review policies, establish lines of communication and monitor progress towards strategic objectives.
- 1.7 Adherence to the Existing Legal Framework
- a) Ensuring that the FC does not act in a manner that is detrimental to the interests of and obligations to, depositors, shareholders and other stakeholders.
- b) Adherence to the regulatory environment and ensuring compliance with relevant laws, regulations, directions and ethical standards.
- c) Acting with due care and prudence, and with integrity and be aware of potential civil and criminal liabilities that may arise from their failure to discharge the duties diligently.
2. Governance Framework
- 2.1 Board shall develop and implement a governance framework in line with these directions and including but not limited to the following.
- a) role and responsibilities of the Board
- b) matters assigned for the Board.
- c) delegation of authority.
- d) composition of the Board.
- e) the Board's independence.
- f) the nomination, election and appointment of directors and appointment of senior management.
- g) the management of conflicts of interests
- h) access to information and obtaining independent advice.
- i) capacity building of Board members.
- j) the Board's performance evaluation.
- k) role and responsibilities of the chairperson and the CEO.
- l) role of the company secretary.
- m) Board sub committees and their role; and
- n) limits on related party transactions.
3. Composition of the Board
- 3.1 The Board's composition shall ensure a balance of skills and experience as may be deemed appropriate and desirable for the requirements of the size, complexity and risk profile of the FC.
- 3.2 The number of directors on the Board shall not be less than seven (07) and not more than thirteen (13).
- 3.3 The total period of service of a director other than a director who holds the position of CEO/executive director shall not exceed nine years, subject to direction 3.4.
- 3.4 Non-executive directors, who directly or indirectly holds more than 10% of the voting rights or who appointed to represent a shareholder who directly or indirectly holds more than 10% of the voting rights by producing sufficient evidence are eligible to hold office exceeding 9 years of service with prior approval of Director, Department of Supervision of Non-Bank Financial Institutions subject to provisions contained in direction 4.2 and 4.3. Provided, however number of non- executive directors eligible to exceed 9 years are limited to one-fourth ($\frac{1}{4}$) of the total number of directors of the Board.

3.5 Executive Directors

- a) Only an employee of a FC shall be nominated, elected and appointed, as an executive director of the FC, provided that the number of executive directors shall not exceed one-third (1/3) of the total number of directors of the Board.
- b) A shareholder who directly or indirectly holds more than 10% of the voting rights of the FC, shall not be appointed as an executive director or as senior management. Provided however, existing executive directors with a contract of employment and functional reporting line and existing senior management are allowed to continue as an executive director/senior management until the retirement age of the FC and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3. Existing executive directors without a contract of employment and functional reporting line need to step down from the position of executive director from the effective date of this direction and may reappoint as a non-executive director subject to provisions contained in direction 4.2 and 4.3.
- c) In the event of presence of the executive directors, CEO shall be one of the executive directors and may be designated as the managing director of the FC.
- d) All Executive directors shall have a functional reporting line in the organization structure of the FC.
- e) The executive directors are required to report to the Board through CEO.
- f) Executive directors shall refrain from holding executive directorships or senior management positions in any other entity.

3.6 Non-Executive Directors

- a) Non-executive directors shall possess credible track records, and have necessary skills, competency and experience to bring independent judgment on the issues of strategy, performance, resources and standards of business conduct.
- b) A non-executive director cannot be appointed or function as the CEO/executive director of the FC.

3.7 Independent Directors

- a) The number of independent directors of the Board shall be at least three (03) or one-third (1/3) of the total number of directors, whichever is higher.
- b) Independent directors appointed shall be of highest caliber, with professional qualifications, proven track record and sufficient experience.
- c) A non-executive director shall not be considered independent if such:
 - i. Director has a direct or indirect shareholding exceeding 5% of the voting rights of the FC or exceeding 10% of the voting rights of any other FC.
 - ii. Director or a relative has or had during the period of one year immediately preceding the appointment as director, material business transaction with the FC, as described in direction 12.1(c) hereof, aggregate value outstanding of which at any particular time exceeds 10% of the stated capital of the FC as shown in its last audited statement of financial position.
 - iii. Director has been employed by the FC or its affiliates or is or has been a director of any of its affiliates during the one year, immediately preceding the appointment as director.
 - iv. Director has been an advisor or consultant or principal consultant/advisor in the case of a firm providing consultancy to the FC or its affiliates during the one year preceding the appointment as director.
 - v. Director has a relative, who is a director or senior management of the FC or has been a director or senior management of the FC during the one year, immediately preceding the appointment as director or holds shares exceeding 10% of the voting rights of the FC or exceeding 20% of the voting rights of another FC.

- vi. Director represents a shareholder, debtor, creditor or such other similar stakeholder of the FC.
 - vii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, in which any of the other directors of the FC is employed or is a director.
 - viii. Director is an employee or a director or has direct or indirect shareholding of 10% or more of the voting rights in a company, which has a transaction with the FC as defined in direction 12.1(c), or in which any of the other directors of the FC has a transaction as defined in direction 12.1(c), aggregate value outstanding of which at any particular time exceeds 10% of the stated capital as shown in its last audited statement of financial position of the FC.
- d) The nomination committee and Board should determine whether there is any circumstance or relationship, which is not listed at direction 3.7, which might impact a director's independence, or the perception of the independence.
 - e) An independent director shall immediately disclose to the Board any change in circumstances that may affect the status as an independent director. In such a case, the Board shall review such director's designation as an independent director and notify the Director, Department of Supervision of Non-Bank Financial Institutions in writing of its decision to affirm or change the designation.

3.8 Alternate Directors

- a) Representation through an alternate director is allowed only;
 - i) With prior approval of the Director, Department of Supervision of Non-Bank Financial Institutions under Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) or as amended; and
 - ii) If the current director is unable to perform the duties as a director due to prolonged illness or unable to attend more than three consecutive meetings due to being abroad.
- b) The existing directors of the FC cannot be appointed as an alternate director to another existing director of the FC.
- c) A person appointed as an alternate director to one of the directors cannot extend the role as an alternate director to another director in the same Board.
- d) An alternate director cannot be appointed to represent an executive director.
- e) In the event an alternate director is appointed to represent an independent director, the person so appointed shall also meet the criteria that apply to an independent director.

3.9 Cooling off Periods

- a) There shall be a cooling off period of six months prior to an appointment of any person as a director, CEO of the FC, who was previously employed as a CEO or director, of another FC. Any variation thereto in exceptional circumstances where expertise of such persons requires to reconstitute a Board of a FC which needs restructuring, shall be made with prior approval of the Monetary Board.
- b) A director, who fulfills the criteria to become an independent director, shall only be considered for such appointment after a cooling off period of one year if such director has been previously considered as non-independent under the provisions of this Direction.

3.10 Common Directorships

Director or a senior management of a FC shall not be nominated, elected or appointed as a director of another FC except where such FC is a parent company, subsidiary company or an associate company or has a joint arrangement with the first mentioned FC subject to conditions stipulated in Direction 3.5(f).

- 3.11 The Board shall determine the appropriate limits for directorships that can be held by directors. However, a director of a FC shall not hold office as a director or any other equivalent position (shall include alternate directors) in more than 20 companies/ societies/bodies, including subsidiaries and associates of the FC.
4. Assessment of Fitness and Propriety Criteria
- 4.1 No person shall be nominated, elected or appointed as a director of the FC or continue as a director of such FC unless that person is a fit and proper person to hold office as a director of such FC in accordance with the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction or as amended.
- 4.2 A person over the age of 70 years shall not serve as a director of a FC.
- 4.3 Notwithstanding provisions contained in 4.2 above, a director who is already holding office at the effective date of this direction and who attains the age of 70 years on or before 31.03.2025, is permitted to continue in office as a director, exceeding 70 years of age up to maximum of 75 years of age subject to the following,
- Assessment by the Director/Department of Supervision of Non-Bank Financial Institutions on the fitness and propriety based on the criteria specified in the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
 - Prior approval of the Monetary Board based on the assessment of the Director/Department of Supervision of Non-Bank Financial Institutions in 4.3(a).
 - The maximum number of directors exceeding 70 years of age is limited to one-fifth (1/5) of the total number of directors.
 - The director concerned shall have completed a minimum period of 3 continuous years in office, as at the date of the first approval.
5. Appointment and resignation of directors and senior management
- 5.1 The appointments, resignations or removals shall be made in accordance with the provisions of the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
6. The Chairperson and the CEO
- 6.1 There shall be a clear division of responsibilities between the chairperson and CEO and responsibilities of each person shall be set out in writing.
- 6.2 The chairperson shall be an independent director, subject to 6.3 below.
- 6.3 In case where the chairperson is not independent, the Board shall appoint one of the independent directors as a senior director, with suitably documented terms of reference to ensure a greater independent element. Senior director will serve as the intermediary for other directors and shareholders. Non-executive directors including senior director shall assess the chairperson's performance at least annually.
- 6.4 Responsibilities of the Chairperson
- The responsibilities of the chairperson shall at least include the following:
- Provide leadership to the Board.
 - Maintain and ensure a balance of power between executive and non-executive directors.
 - Secure effective participation of both executive and non-executive directors.
 - Ensure the Board works effectively and discharges its responsibilities.
 - Ensure all key issues are discussed by the Board in a timely manner.
 - Implement decisions/directions of the regulator.
 - Prepare the agenda for each Board Meeting and may delegate the function of preparing the agenda and to maintaining minutes in an orderly manner to the company secretary.
 - Not engage in activities involving direct supervision of senior management or any other day to day operational activities.
 - Ensure appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.
 - Annual assessment on the Performance and the contribution during the past 12 months of the Board and the CEO.
- 6.5 Responsibilities of the CEO

The CEO shall function as the apex executive-in-charge of the day-to-day-management of the FC's operations and business. The responsibilities of the CEO shall at least include:

- a) Implementing business and risk strategies in order to achieve the FC's strategic objectives.
- b) Establishing a management structure that promotes accountability and transparency throughout the FC's operations and preserves the effectiveness and independence of control functions.
- c) Promoting, together with the Board, a sound corporate culture within the FC, which reinforces ethical, prudent and professional behavior.
- d) Ensuring implementation of proper compliance culture and being accountable for accurate submission of information to the regulator.
- e) Strengthening the regulatory and supervisory compliance framework.
- f) Addressing the supervisory concerns and non-compliance with regulatory requirements or internal policies in a timely and appropriate manner.
- g) CEO must devote the whole of the professional time to the service of the FC and shall not carry on any other business, except as a non-executive director of another company, subject to Direction 3.10.

7. Meetings of the Board

- 7.1 The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of papers to be avoided as much as possible.
- 7.2 The Board shall ensure that arrangements are in place to enable matters and proposals by all directors of the Board to be represented in the agenda for scheduled Board Meetings.
- 7.3 A notice of at least 3 days shall be given for a scheduled Board meeting. For all other Board meetings, a reasonable notice shall be given.
- 7.4 A director shall devote sufficient time to prepare and attend Board meetings and actively contribute by providing views and suggestions.
- 7.5 A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one fourth (1/4) of the number of directors that constitute the quorum at such meeting are independent directors.
- 7.6 The chairperson shall hold meetings with the non-executive directors only, without the executive directors being present, as necessary and at least twice a year.
- 7.7 A director shall abstain from voting on any Board resolution in relation to a matter in which such director or relative or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item in the Board meeting.
- 7.8 A director who has not attended at least two-thirds (2/3) of the meetings in the period of 12 months immediately preceding or has not attended three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall be acceptable as attendance, subject to applicable directions for alternate directors.
- 7.9 Scheduled Board Meetings and Ad Hoc Board Meetings
For the scheduled meetings, participation in person is encouraged and for ad hoc meetings where director cannot attend on a short notice, participation through electronic means is acceptable.

8. Company Secretary

- 8.1
 - a) The Board shall appoint a company secretary considered to be a senior management whose primary responsibilities shall be to handle the secretarial services to the Board and of shareholder meetings, and to carry out other functions specified in the statutes and other regulations.
 - b) The Board shall appoint its company secretary, subject to transitional provision stated in 19.2 below, a person who possesses such qualifications as may be prescribed for a secretary of a company under section 222 of the Companies Act, No. 07 of 2007, on being appointed the company secretary, such person shall become an employee of FC and shall not become an employee of any other institution.

- 8.2 All directors shall have access to advice and services of the company secretary with a view to ensuring the Board procedures laws, directions, rules and regulations are followed.
- 8.3 The company secretary shall be responsible for preparing the agenda in the event chairperson has delegated carrying out such function.
- 8.4 The company secretary shall maintain minutes of the Board meetings with all submissions to the Board and/or voice recordings/video recordings for a minimum period of 6 years.
- 8.5 The company secretary is responsible for maintaining minutes in an orderly manner and shall follow the proper procedure laid down in the Articles of Association of the FC.
- 8.6 Minutes of the Board meetings shall be recorded in sufficient detail so that it is possible to ascertain whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly include the following: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent, including contribution of each individual director; (d) the explanations and confirmations of relevant parties, which indicate compliance with the Board’s strategies and policies and adherence to relevant laws, regulations, directions; (e) the Board’s knowledge and understanding of the risks to which the FC is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.
- 8.7 The minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.
- 9. Delegation of Functions by the Board
 - 9.1 The Board shall approve a Delegation of Authority (DA) and give clear directions to the senior management, as to the matters that shall be approved by the Board before decisions are made by senior management, on behalf of the FC.
 - 9.2 In the absence of any of the sub-committees mentioned in Direction 10 below, the Board shall ensure the functions stipulated under such committees shall be carried out by the Board itself.
 - 9.3 The Board may establish appropriate senior management level sub-committees with appropriate DA to assist in Board decisions.
 - 9.4 The Board shall not delegate any matters to a board sub-committee, executive directors or senior management, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.
 - 9.5 The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the FC.
- 10. Board Sub-Committees
 - 10.1 a) For the purpose of specifying the requirements for board committees, FCs are divided into two categories based on the asset base as per the latest audited statement of financial position as FCs with asset base of more than Rs. 20 bn and FCs with asset base of less than Rs. 20 bn, subject to transitional provisions stated in direction 19.3.

	FCs with asset base of more than Rs. 20 bn	FCs with asset base of less than Rs. 20 bn
Board Sub-Committees	Shall establish a Board Audit Committee (BAC), Board Integrated Risk Management Committee (BIRMC), Nomination Committee, Human Resource and Remuneration Committee and Related Party Transactions Review Committee	Shall establish at least the BAC, BIRMC and Related Party Transactions Review Committee
Meetings	Meetings shall be held at least once in two months for BAC and BIRMC. Other committees shall meet at least annually	Meetings shall be held at least quarterly for BAC and BIRMC. Other committees shall meet at least annually

- b) Each Board sub-committee shall have a board approved written terms of reference specifying clearly its authority and duties.
- c) The Board shall present a report on the performance of duties and functions of each Board sub-committee, at the annual general meeting of the FC.
- d) Each sub-committee shall appoint a secretary to arrange its meetings, maintain minutes, voice or video recordings, maintenance of records and carry out such other secretarial functions under the supervision of the chairperson of the committee.
- e) Each Board sub-committee shall consist of at least three Board members and shall only consist of members of the Board, who have the skills, knowledge and experience relevant to the responsibilities of the committee.
- f) The Board may consider occasional rotation of members and of the chairperson of Board sub-committees, as to avoid undue concentration of power and promote new perspectives.

10.1 Board Audit Committee (BAC)

The following shall apply in relation to the BAC.

- a) The chairperson of BAC shall be an independent director who possesses qualifications and experience in accountancy and/or audit.
- b) The Board members appointed to the BAC shall be non-executive directors and majority shall be independent directors with necessary qualifications and experience relevant to the scope of the BAC.
- c) The secretary to the BAC shall preferably be the Chief Internal Auditor (CIA).
- d) External Audit Function
 - i. The BAC shall make recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes, the service period, audit fee and any resignation or dismissal of the auditor.
 - ii. Engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term. Further, FC shall not use the service of the same external audit firm for not more than ten years consecutively.
 - iii. Audit partner of an FC shall not be a substantial shareholder, director, senior management or employee of any FC.
 - iv. The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.
 - v. Audit partner shall not be assigned to any non-audit services with the FC during the same financial year in which the audit is being carried out. The BAC shall develop and implement a policy with the approval of the Board on the engagement of an external audit firm to provide non-audit services that are permitted under the relevant regulatory framework. In doing so, the BAC shall ensure that the provision of service by an external audit firm of non-audit services does not impair the external auditor's independence or objectivity.
 - vi. The BAC shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including: (i) an assessment of the FC's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved.

- vii. The BAC shall review the financial information of the FC, in order to monitor the integrity of the financial statements of the FC in its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the FC's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on: (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements.
- viii. The BAC shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of senior management, if necessary.
- ix. The BAC shall review the external auditor's management letter and the management's response thereto within 3 months of submission of such, and report to the Board.
- e) The BAC shall at least annually conduct a review of the effectiveness of the system of internal controls.
- f) The BAC shall ensure that the senior management are taking necessary corrective actions in a timely manner to address internal control weaknesses, non-compliance with policies, laws and regulations, and other problems identified by auditors and supervisory bodies with respect to internal audit function of the FC.
- g) Internal Audit Function
 - i. The committee shall establish an independent internal audit function (either in house or outsourced as stipulated in the Finance Business Act (Outsourcing of Business Operations) Direction or as amended that provides an objective assurance to the committee on the quality and effectiveness of the FC's internal control, risk management, governance systems and processes.
 - ii. The internal audit function shall have a clear mandate, be accountable to the BAC, be independent and shall have sufficient expertise and authority within the FC to carry out their assignments effectively and objectively.
 - iii. The BAC shall take the following steps with regard to the internal audit function of the FC:
 - (i) Review the adequacy of the scope, functions and skills and resources of the internal audit department and ensure the internal audit department has the necessary authority to carry out its work.
 - (ii) Review the internal audit program and results of the internal audit process and, where necessary, ensure appropriate actions are taken on the recommendations of the internal audit.
 - (iii) Assess the performance of the head and senior staff members of the internal audit department.
 - (iv) Ensure the internal audit function is independent and activities are performed with impartiality, proficiency and due professional care.
 - (v) Ensure internal audit function carry out periodic review of compliance function and regulatory reporting to regulatory bodies.
 - (vi) Examine the major findings of internal investigations and management's responses thereto.
 - h) The BAC shall review the statutory examination reports of the Central Bank of Sri Lanka (CBSL) and ensure necessary corrective actions are taken in a timely manner and monitor the progress of implementing the time bound action plan quarterly.
 - i) Meetings of the Committee

- i. The BAC shall meet as specified in 10.1 above, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.
- ii. Other Board members, senior management or any other employee may attend meetings upon the invitation of the committee when discussing matters under their purview.
- iii. BAC shall meet at least twice a year with the external auditors without any other directors/senior management/employees being present.

10.3 Board Integrated Risk Management Committee (BIRMC)

The following shall apply in relation to the BIRMC:

- a) The BIRMC shall be chaired by an independent director. The Board members appointed to BIRMC shall be non-executive directors with knowledge and experience in banking, finance, risk management issues and practices. The CEO and Chief Risk Officer (CRO) may attend the meetings upon invitation. The BIRMC shall work with senior management closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.
- b) The secretary to the committee may preferably be the CRO.
- c) The committee shall assess the impact of risks, including credit, market, liquidity, operational, strategic, compliance and technology, to the FC at least on once in two months basis through appropriate risk indicators and management information and make recommendations on the risk strategies and the risk appetite to the Board.
- d) Developing FC's risk appetite through a Risk Appetite Statement (RAS), which articulates the individual and aggregate level and types of risk that a FC will accept, or avoid, in order to achieve its strategic business objectives. The RAS should include quantitative measures expressed relative to earnings, capital, liquidity, etc., and qualitative measures to address reputation and compliance risks as well as money laundering and unethical practices. The RAS should also define the boundaries and business considerations in accordance with which the FC is expected to operate when pursuing business strategy and communicate the risk appetite linking it to daily operational decision making and establishing the means to raise risk issues and strategic concerns throughout the FC.
- e) The BIRMC shall review the FC's risk policies including RAS, at least annually.
- f) The BIRMC shall review the adequacy and effectiveness of senior management level committees (such as credit, market, liquidity investment, technology and operational) to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.
- g) The committee shall assess all aspects of risk management including updated business continuity and disaster recovery plans.
- h) BIRMC shall annually assess the performance of the compliance officer and the CRO.
- i) Compliance Function
 - i. BIRMC shall establish an independent compliance function to assess the FC's compliance with laws, regulations, directions, rules, regulatory guidelines and approved policies on the business operations.
 - ii. For FCs with asset base of more than Rs. 20 bn, a dedicated compliance officer considered to be senior management with sufficient seniority, who is independent from day-to-day management shall carry out the compliance function and report to the BIRMC directly. The compliance officer shall not have management or financial responsibility related to any operational business lines or income-generating functions, and there shall not be 'dual hatting', i.e. the chief operating officer, chief financial officer, chief internal auditor, chief risk officer or any other senior management shall not serve as the compliance officer.

- iii. For FCs with asset base of less than Rs. 20bn, an officer with adequate seniority considered to be senior management shall be appointed as compliance officer avoiding any conflict of interest.
 - iv. The BIRMC shall ensure responsibilities of a compliance officer would broadly encompass the following: (i) develop and implement policies and procedures designed to eliminate or minimize the risk of breach of regulatory requirements; (ii) ensure compliance policies and procedures are clearly communicated to all levels of the FC to enhance the compliance culture; (iii) ensure reviews are undertaken at appropriate frequencies to assess compliance with regulatory rules and internal compliance standards; (iv) understand and apply new legal and regulatory developments relevant to the business of FC; (v) secure early involvement in the design and structuring of new products and systems, to ensure conformity with the regulatory requirements, internal compliance and ethical standards; (vi) highlight serious or persistent compliance issues and where appropriate, work with the management to ensure that they are rectified within an acceptable time; and (vii) maintain regular contact and good working relationship with regulators based upon clear and timely communication and a mutual understanding of the regulators' objectives with highest integrity.
- j) Risk Management Function
- i. BIRMC shall establish an independent risk management function responsible for managing risk-taking activities across the FC.
 - ii. For FCs with asset base of more than Rs.20 bn, it is expected to have a separate risk management department and a dedicated CRO considered to be senior management shall carry out the risk management function and report to the BIRMC periodically.
 - iii. The CRO has the primary responsibility for implementing the Board approved risk management policies and processes including RAS in order to ensure the FC's risk management function is robust and effective to support its strategic objectives and to fulfill broader responsibilities to various stakeholders.
 - iv. The BIRMC shall ensure that the CRO is responsible for developing and implementing a Board approved integrated risk management framework that covers: (i) various potential risks and frauds; (ii) possible sources of such risks and frauds; (iii) mechanism of identifying, assessing, monitoring and reporting of such risks which includes quantitative and qualitative analysis covering stress testing ; (iv) effective measures to control and mitigate risks at prudent levels; and (v) relevant officers and committees responsible for such control and mitigation. The framework shall be reviewed and updated at least annually.
 - v. The CRO shall also participate in key decision-making processes such as capital and liquidity planning, new product or service development, etc., and make recommendations on risk management.
 - vi. The CRO shall maintain an updated risk register, which shall be submitted to the BIRMC on a quarterly basis.
 - vii. The BIRMC shall submit a risk assessment report for the upcoming Board meeting seeking the Board's views, concurrence and/or specific directions.

10.4 Nomination Committee

The following shall apply in relation to the Nomination Committee:

- a) The committee shall be constituted with non-executive directors and preferably the majority may be independent directors. An independent director shall chair the committee. The CEO may be present at meetings by invitation of the committee.
- b) Secretary to the nomination committee may preferably be the company secretary.
- c) The committee shall implement a formal and transparent procedure to select/appoint new directors and senior management. Senior management are to be appointed with the recommendation of CEO, excluding CIA, CRO and compliance officer.

- d) The committee shall ensure that directors and senior management are fit and proper persons to perform their functions as per the Finance Business Act (Assessment of Fitness and Propriety of Key Responsible Persons) Direction.
- e) The selection process shall include reviewing whether the proposed directors (i) possess the knowledge, skills, experience, independence and objectivity to fulfill their responsibilities on the board; (ii) have a record of integrity and good repute; and (iii) have sufficient time to fully carry out their responsibilities.
- f) The committee shall strive to ensure that the Board composition is not dominated by any individual or a small group of individuals in a manner that is detrimental to the interests of the stakeholders and the FC as a whole.
- g) The committee shall set the criteria, such as qualifications, experience and key attributes required for eligibility, to be considered for appointment to the post of CEO and senior management.
- h) Upon the appointment of a new director to the Board, the committee shall assign the responsibility to the company secretary to disclose to shareholders: (i) a brief resume of the director; (ii) the nature of the expertise in relevant functional areas; (iii) the names of companies in which the director holds directorships or memberships in Board committees; and (iv) whether such director can be considered as independent.
- i) The committee shall consider and recommend (or not recommend) the re-election of current directors, taking into account the combined knowledge, performance towards strategic demands faced by the FC and contribution made by the director concerned towards the discharge of the Board's overall responsibilities.
- j) The committee shall consider and recommend from time to time, the requirements of additional/new expertise and the succession arrangements for retiring directors and senior management
- k) A member of the nomination committee shall not participate in decision making relating to own appointment/ reappointment and the Chairperson of the board should not chair the committee when it is dealing with the appointment of the successor.

10.5 Human Resource and Remuneration Committee

The following shall apply in relation to the Human Resources and Remuneration Committee:

- a) The committee shall be chaired by a non-executive director and the majority of the members shall consist of non-executive directors.
- b) The secretary to the human resource and remuneration committee may preferably be the company secretary.
- c) The committee shall determine the remuneration policy (salaries, allowances, and other financial payments) relating to executive directors and senior management of the FC and fees and allowances structure for non-executive directors.
- d) There shall be a formal and transparent procedure in developing the remuneration policy.
- e) The committee shall recommend the remuneration policy for approval of the Board on paying salaries, allowances and other financial incentives for all employees of the FC. The policy shall be subject to periodic review of the Board, including when material changes are made.
- f) The remuneration structure shall be in line with the business strategy, objectives, values, long-term interests and cost structure of the FC. It shall also incorporate measures to prevent conflicts of interest. In particular, incentives embedded within remuneration structures shall not incentivize employees to take excessive risk or to act in self-interest.

- g) The committee shall review the performance of the senior management (excluding chief internal auditor, compliance officer, chief risk officer) against the set targets and goals, which have been approved by the Board at least annually, and determine the basis for revising remuneration, benefits and other payments of performance-based incentives.
- h) The committee shall ensure that the senior management shall abstain from attending committee meetings, when matters relating to them are being discussed.
11. Internal Controls
- 11.1 FCs shall adopt well-established internal control systems, which include the organizational structure, segregation of duties, clear management reporting lines and adequate operating procedures in order to mitigate operational risks.
- 11.2 A proper internal control system shall: (a) promote effective and efficient operations; (b) provide reliable financial information; (c) safeguard assets; (d) minimize the operating risk of losses from irregularities, fraud and errors; (e) ensure effective risk management systems; and (f) ensure compliance with relevant laws, regulations, directions and internal policies.
- 11.3 All employees shall be given the responsibility for internal controls as part of their accountability for achieving objectives.
12. Related Party Transactions
- 12.1 Board shall establish a policy and procedures for related party transactions, which covers the following.
- a) All FCs shall establish a Related Party Transactions Review Committee (RPTRC) and the chairperson shall be an independent director and the members shall consist of non-executive directors.
- b) All related party transactions shall be prior reviewed and recommended by the RPTRC.
- c) The business transactions with a related party that are covered in this Direction shall be the following:
- i. Granting accommodation.
 - ii. Creating liabilities to the FC in the form of deposits, borrowings and any other payable.
 - iii. Providing financial or non-financial services to the FC or obtaining those services from the FC.
 - iv. Creating or maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or information not available in the public domain or otherwise sensitive information that may give benefits to such related party.
- 12.2 The committee shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the FC with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction. In this regard, there shall be a named list of natural persons/institutions identified as related parties, which is subject to periodic review as and when the need arises.
- a) Directors and senior management.
 - b) Shareholders who directly or indirectly holds more than 10% of the voting rights of the FC.
 - c) Subsidiaries, associates, affiliates, holding company, ultimate parent company and any party (including their subsidiaries, associates and affiliates) that the FC exert control over or vice versa.
 - d) Directors and senior management of legal persons in paragraph (b) or (c).
 - e) Relatives of a natural person described in paragraph (a), (b) or (d).
 - f) Any concern in which any of the FC's directors, senior management or a relative of any of the FC's director or senior management or any of its shareholders who has a shareholding directly or indirectly more than 10% of the voting rights has a substantial interest.

- 12.3 The committee shall ensure that the FC does not engage in business transactions with a related party in a manner that would grant such party “more favorable treatment” than that is accorded to other similar constituents of the FC. For the purpose of this paragraph, “more favorable treatment” shall mean:
- a) Granting of “total accommodation” to a related party, exceeding a prudent percentage of the FCs regulatory capital, as determined by the committee.
 - b) Charging of a lower rate of interest or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty.
 - c) Providing preferential treatment, such as favorable terms, that extends beyond the terms granted in the normal course of business with unrelated parties.
 - d) Providing or obtaining services to or from a related party without a proper evaluation procedure; or
 - e) Maintaining reporting lines and information flows between the FC and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.
13. Group Governance
- 13.1 Responsibilities of the FC as a Holding Company
- a) The FC is responsible for exercising adequate oversight over its subsidiaries and associates while complying with the independent legal, regulatory and governance responsibilities that apply to them.
 - b) The Board of the FC shall:
 - i) Ensure that the group governance framework clearly defines the roles and responsibilities for the oversight and implementation of group-wide policies.
 - ii) Ensure that the differences in the operating environment, including the legal and regulatory requirements for each company, are properly understood and reflected in the group governance framework.
 - iii) Have in place reporting arrangements that promote the understanding and management of material risks and developments that may affect the holding FC and its subsidiaries.
 - iv) Assess whether the internal control framework of the group adequately addresses risks across the group, including those arising from intra-group transactions; and
 - v) Ensure that there are adequate resources to effectively monitor compliance of the FC and its subsidiaries with all applicable legal and regulatory requirements.
 - c) The FC, as the apex entity, shall ensure that the group structure does not undermine its ability to exercise effective oversight. The Board shall establish a clearly defined process of approving the creation of new legal entities under its management and identifying and managing all material group-wide risks through adequate and effective policies and controls.
 - d) The Board and senior management of the FC shall validate that the objectives, strategies, policies and governance framework set at the group level are fully consistent with the regulatory obligations of the FC and ensure that company-specific risks are adequately addressed.
 - e) The FC shall avoid setting up complicated structures that lack economic substance or business purpose that can considerably increase the complexity of the operations.
- 13.2 Responsibilities as a Subsidiary
- If the FC is a subsidiary of another financial institution subject to prudential regulation, FC shall discharge its own legal and governance responsibilities.
14. Corporate Culture
- 14.1 A FC shall adopt a Code of Conduct which includes the guidelines on appropriate conduct and addresses issues of confidentiality, conflicts of interest, integrity of reporting, protection and proper use of company assets and fair treatment of customers.

- 14.2 The FC shall maintain records of breaches of code of conduct and address such breaches in a manner that upholds high standards of integrity.
- 14.3 A FC shall establish a Whistleblowing policy that sets out avenues for legitimate concerns to be objectively investigated and addressed. Employees shall be able to raise concerns about illegal, unethical or questionable practices in a confidence manner and without the risk of reprisal. The BAC shall review the policy periodically.
15. Conflicts of Interest
- 15.1 a) Relationships between the directors shall not exercise undue influence or coercion. A director shall abstain from voting on any Board resolution in relation to a matter in which such director or any of the relatives or a concern in which such director has substantial interest, is interested, and such director shall not be counted in the quorum for the relevant agenda item in the Board meeting.
- b) The Board shall have a formal written policy and an objective compliance process for implementing the policy to address potential conflicts of interest with related parties. The policy for managing conflicts of interest shall,
- i. Identify circumstances which constitute or may give rise to conflicts of interests.
 - ii. Express the responsibility of directors and senior management to avoid, to the extent possible, activities that could create conflicts of interest.
 - iii. Define the process for directors and senior management to keep the Board informed on any change in circumstances that may give rise to a conflict of interest.
 - iv. Implement a rigorous review and approval process for director and senior management to follow before they engage in certain activities that could create conflicts of interest.
 - v. Identify those responsible for maintaining updated records on conflicts of interest with related parties, and
 - vi. Articulate how any non-compliance with the policy to be addressed.
16. Disclosures
- 16.1 The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in Sinhala, Tamil and English.

The Board shall ensure that at least following disclosures are made in the Annual Report of the FC.

Subject	Disclosure
i. Financial statements	In addition to the set of financial statements as per LKAS 1 or applicable standard annual report shall include, <ul style="list-style-type: none"> • A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. • A statement of responsibility of the Board in preparation and presentation of financial statements.
ii. Chairperson, CEO and Board related disclosures	<ul style="list-style-type: none"> • Name, qualification and a brief profile. • Whether executive, non-executive and/or independent director. • Details of the director who is serving as the senior director, if any. • The nature of expertise in relevant functional areas. • Relatives and/or any business transaction relationships with other directors of the company. • Names of other companies in which the director/CEO concerned serves as a director and whether in an executive or non-executive capacity.

	<ul style="list-style-type: none"> • Number/percentage of board meetings of the FC attended during the year; and • Names of board committees in which the director serves as the Chairperson or a member.
iii. Appraisal of board performance	<ul style="list-style-type: none"> • An overview of how the performance evaluations of the Board and its committees have been conducted
iv. Remuneration	<ul style="list-style-type: none"> • A statement on remuneration policy, which includes Board fee structure and breakdown of remuneration of senior management, level and mix of remuneration (financial and non-financial, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation) • The aggregate values of remuneration paid by the FC to its directors and senior management.
v. Related party transactions	<ul style="list-style-type: none"> • The nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the Chairperson and the CEO and the relationships among members of the Board. • Total net accommodation granted in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the FC's core capital. • The aggregate values of the transactions of the FC with its senior management during the financial year, set out by broad categories such as accommodation granted, and deposits or investments made in the FC.
vi. Board appointed committees	<ul style="list-style-type: none"> • The details of the chairperson and members of the board committees and attendance at such meetings.
vii. Group Structure	<ul style="list-style-type: none"> • The group structure of the FC within which it operates. • The group governance framework.
viii. Director's report	<p>A report, which shall contain the following declarations by the Board:</p> <ul style="list-style-type: none"> • The FC has not engaged in any activity, which contravenes laws and regulations. • The directors have declared all related party transactions with the FC and abstained from voting on matters in which they were materially interested. • The FC has made all endeavors to ensure the fair treatment for all stakeholders, in particular the depositors. • The business is a going concern with supporting assumptions; and • The Board has conducted a review of internal controls covering material risks to the FC and have obtained reasonable assurance of their effectiveness.
ix. Statement on Internal Control	<ul style="list-style-type: none"> • A report by the Board on the FC's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.

	<ul style="list-style-type: none"> • The external auditor's assurance statement on the effectiveness of the internal control mechanism referred above, in respect of any statement prepared or published. • A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances. • A statement of the regulatory and supervisory concerns on lapses in the FC's risk management, or non-compliance with the Act, and rules and directions
x. Corporate governance report	<ul style="list-style-type: none"> • Shall disclose the manner and extent to which the company has complied with Corporate Governance Direction and the external auditor's assurance statement of the compliance with the Corporate Governance Direction.
xi. Code of Conduct	<ul style="list-style-type: none"> • FC's code of business conduct and ethics for directors, senior management and employees. • The Chairperson shall certify that the company has no violations of any of the provisions of this code.
xii. Management report	<ul style="list-style-type: none"> • Industry structure and developments • Opportunities and threats • Risks and concerns • Sustainable finance activities carried out by the company • Prospects for the future
xiii. Communication with shareholders	<ul style="list-style-type: none"> • The policy and methodology for communication with shareholders. • The contact person for such communication.

17. Definitions

"Act" shall mean the Finance Business Act, No.42 of 2011 or as amended

"Affiliate" in relation to a FC refers to any corporation that directly or indirectly controls, is controlled by, or is under common control with, the FC, and includes subsidiary, associate, holding company, companies under common group.

"Board" shall, include executive directors or otherwise, and shall include alternate directors as well.

"Relative" shall have the same meaning as Section 74 of the FBA.

"Direct or indirect shareholding" shall mean holding of shares carrying voting rights by a company, an incorporated body, or an individual, or held in aggregate by:

- a. a company and one or more of the following:
 - (i) its subsidiary companies.
 - (ii) its holding company.
 - (iii) a subsidiary company of its holding company; or
 - (iv) a company in which such company or its subsidiary company, or its holding company, or a subsidiary company of its holding company has a substantial interest; or
- b. an individual and one or more of the following:
 - (i) relatives – "
 - (ii) a company in which he/she has a substantial interest or in which his/her relative has a substantial interest; the subsidiary company of such company; a holding company of such company; a subsidiary company of such company's holding company; a company in which such company, or its subsidiary company or its holding company or a subsidiary company of its holding company has a substantial interest; or

- (iii) an incorporated body other than a company in which such individual; or his/her relative has a substantial interest; or

companies in each of which an individual or a company as the case may be, has either directly, indirectly or beneficially a substantial interest or significant management interest.

“Executive Director” is a full-time salaried employee of the FC, who is in the FC’s payroll and employed under an employment contract and is involved in day-to-day management responsibilities.

Non-Executive Director is not an employee of the FC and not under the FC’s payroll and not involved in day-to-day management of the FC.

Non-audit service shall have the same meaning as guideline for panel of external auditors issued in December 2012 or as amended

“Senior management” of the FC means

- i. Chief Executive Officer (CEO)
- ii. Officers in the immediate two layers below the level of CEO on the FC organization structure including Compliance Officer, Internal Chief Auditor, Chief Risk Officer, Chief Information Security Officer and Company Secretary. Such officers shall have authority and responsibility for planning, directing, and controlling the activities of the entity and any other persons within the definition of the ‘key management personnel’ of the Finance Business Act, No.42 of 2011, as may be determined by the Director/Department of Supervision of Non-Bank Financial Institutions.

“Substantial interest” shall have the same meaning as Section 74 of the FBA.

18. Effective Date

The Direction will be effective from 01.07.2022 subject to transitional provisions stated below.

19. Transitional Provisions

- 19.1 a) Direction 3.2, Direction 3.5(a) and Direction 3.7 will be effective from 01.07.2024. During the transitional period, the provisions contained in “Section 4: Composition of the Board” of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 will be applicable
- b) Direction 3.4 will be effective immediately
- 19.2 Direction 8.1(b): A transitional period until 01.07.2024 will be granted.
- 19.3 Direction 10.1: A transitional period until 01.07.2024 will be granted. However, during the transitional period provisions contained in “Section 8: Board appointed committees” of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 will be applicable.

20. Revocation of previous directions

Subject to the transitional provisions as expressly provided in direction 19, the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Finance Companies (Corporate Governance-Amendment) Direction No. 04 of 2008 and Finance Companies (Corporate Governance-Amendment) Direction No. 06 of 2013 Finance Business Act (Amendment to Corporate Governance) Direction and No. 05 of 2020 will be revoked from the effective date of this Direction.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
 Governor of the Central Bank of Sri Lanka**

Finance Business Act Directions No. 06 of 2021

31 December 2021

ASSESSMENT OF FITNESS AND PROPRIETY OF KEY RESPONSIBLE PERSONS

- | | |
|--|---|
| 1. Legal provisions | 1.1 In terms of the powers conferred by Section 12 of the Finance Business Act, No. 42 of 2011 the Monetary Board of the Central Bank of Sri Lanka hereby issues these directions on the assessment of fitness and propriety of key responsible persons of Licensed Finance Companies (LFCs). |
| 2. Objectives | <p>2.1 Ensure that the key responsible persons of an LFC are able to exercise their responsibilities efficiently in view of managing the LFC soundly and prudently.</p> <p>2.2 The key responsible person of an LFC would promote good governance practices on the conduct of business of LFCs which lead to the stability.</p> <p>2.3 An LFC shall be accountable to establish such person is fit and proper to discharge the duties and responsibilities efficiently and in the best interests of stakeholders.</p> |
| 3. Scope and the applicability | <p>3.1 These directions will be applicable for all key responsible persons in LFCs.</p> <p>3.2 Key responsible persons proposed to be nominated, elected or appointed of an LFC shall obtain the prior approval of the Director for the appointment or continuation to the designated post of an LFC in terms of provisions of these directions.</p> <p>3.3 The fitness and propriety of continuing board of directors, Chief Executive Officer (CEO) and other key responsible persons shall be annually assessed subject to direction 7.</p> <p>3.4 Any resignation, retirement or removal of a key responsible person of an LFC shall be subject to direction 8.</p> |
| 4. Key responsible person | <p>4.1 The key responsible persons in relation to an LFC shall be,</p> <p>(a) Board of directors of the LFC (executive or otherwise and shall include alternate directors).</p> <p>(b) Senior management of the LFC</p> <p style="padding-left: 20px;">i. CEO</p> <p style="padding-left: 20px;">ii. Officers in the immediate two layers below the level of CEO on the LFC organization structure including Compliance Officer, Chief Internal Auditor, Chief Risk Officer, Chief Information Security Officer and Company Secretary. Such officers shall have authority and responsibility for planning, directing, and controlling the activities of the entity.</p> <p>(c) Consultants or advisors to the board of directors, board sub-committees or senior management of the LFC, and</p> <p>(d) Any other persons within the definition of the 'key management personnel' of the Finance Business Act, No.42 of 2011, as may be determined by the Director.</p> |
| 5. Criteria for fitness and propriety assessment | <p>5.1 The fitness and propriety of a key responsible person shall be assessed under the following criteria but not limited to the following,</p> <p>5.1.1 Nomination, election or appointment of a new key responsible person</p> <p>(a) Honesty, integrity and reputation
Shall be assessed based on the criteria set out under section 21 of the Finance Business Act No.42 of 2011 or as amended.</p> <p>(b) Competency and capability
The competency and capability of a key responsible person shall match the requirements of the post and shall be assessed based on the following factors,</p> <p style="padding-left: 20px;">(i) Academic or professional qualifications or effective experience in banking, finance, business or administration, economics, accounting, auditing, financial analysis, investment management, capital markets, information technology, strategic planning, risk management, human resource management, law, marketing and specific qualifications and experience according to the mandate of the LFC.</p> |

- (ii) Skills that give the ability to understand the technical requirements of the business, identify inherent risks and the management processes.
 - (iii) The level of performance and contribution towards the success of the organization in the previous directorship, employment or contract term.
 - (c) Financial soundness
Shall be assessed based on whether such person has been able to fulfil any financial obligations, in Sri Lanka or elsewhere.
 - (d) Standard background checks
Shall be assessed appropriately where relevant through credit bureau, reference checks, professional bodies, regulatory authorities and/or any other authorities.
- 5.1.2 Existing/continuing key responsible persons
- (a) Board of directors and CEO,
 - i) Criteria given in direction 5.1.1 excluding direction 5.1.1 (b)(iii).
 - ii) The level of performance and contribution towards the success of the LFC in the present directorship or employment
 - iii) The LFCs level of compliance with regulatory framework and the Monetary Board directions specific to the LFC.
 - (b) Other key responsible persons
 - i) Criteria given in direction 5.1.1 excluding direction 5.1.1 (b)(iii).
 - ii) The level of performance and contribution towards the success of the LFC in the present employment or contract term.
6. Approval process and subsequent changes to the fitness and propriety
- 6.1 The Company Secretary of the LFC shall be responsible to attest and forward the information and documentation required as per Annexure I under confidential cover to the Director for the assessment of fitness and propriety of key responsible persons. The CEO of LFC shall be responsible to attest and forward the information and documentation required as per Annexure I under confidential cover to the Director for the assessment of fitness and propriety of the Company Secretary.
 - 6.2 The Director shall assess the information and documentation submitted as per Annexure I based on the criteria set out under direction 5.1 and shall issue a letter approving or declining the proposed election, appointment or continuation of the key responsible person.
 - 6.3 In the event the consultant or advisor is a firm, the criteria on assessment of fitness and propriety shall be applicable for the principal consultant or advisor involved in making consultative advice to the LFC.
 - 6.4 The key responsible persons shall undertake to keep the Company Secretary fully informed, as soon as possible, of all subsequent events relevant to the information provided which may have an impact on the assessment of fitness and propriety.
 - 6.5 The Company Secretary of the LFC shall notify the Director of all subsequent events relevant to the information provided of key responsible persons which may have an impact on the assessment of fitness and propriety within seven (7) working days of becoming aware of such facts.
 - 6.6 Fitness and propriety of a key responsible person shall be carried out at any time where there are supervisory concerns in respect of any key responsible person of an LFC as may be determined by the Director.
7. Timelines for assessment of fitness and propriety submissions
- 7.1 Nomination, election or appointment of a new key responsible person
Submission of information and documentation, twenty (20) working days prior to the expected date of election or appointment.

- 7.2 Existing/continuing key responsible persons
- a) Board of directors and CEO
Annual submission of information and documentation, twenty (20) working days before the Annual General Meeting of the respective LFC or by end of three months after the financial year of the respective LFC, whichever is earlier.
 - b) Other key responsible persons
Submission of information and documentation, twenty (20) working days prior to changes resulting of promotions, renewal of contracts and on lateral moves to positions requiring special knowledge and/or skills.
8. Resignation/ retirement/ removal
- 8.1 A board of director or CEO shall not be resigned, retired or be removed from an LFC without prior approval of the Director. In the event of a resignation or removal, the LFC shall submit such reasons to the Director.
 - 8.2 The LFC shall inform the Director of the resignation, retirement or removal of any other key responsible persons of an LFC with reasons within three (3) working days of such event.
9. Appeal to the Monetary Board
- 9.1 A person aggrieved by the declining of the proposed nomination, election or appointment by the Director under direction 6.2 above may within ten (10) working days of receipt of the communication sent by the LFC make an appeal giving reasons in writing in justifiable manner to the Monetary Board.
 - 9.2 The Monetary Board may, after considering reasons given by the Director and the objections of the aggrieved party, decide either to confirm or over-rule the decision to decline made by the Director.
10. Effective date
- 10.1 These directions shall come into effect commencing 01.04.2022.
11. Interpretation
- 11.1 'Director' shall mean Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.
12. Revocation of directions
- 12.1 The Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.3 of 2011 will be revoked from effective date of these directions subject to direction 12.2.
 - 12.2 The key responsible persons of an LFC stated in direction 4.1 who have been granted approval for fit and proper under the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.3 of 2011 are deemed to be fit and proper till the fitness and propriety assessment is performed under these directions.

Nivard Ajith Leslie Cabraal
**Chairman of the Monetary Board and
Governor of the Central Bank of Sri Lanka**

Annexure I

Information and documentation required for assessment of fitness and propriety of key responsible persons

1. Information and documentation required

1.1. Nomination, election or appointment of a new key responsible person

- a) The original Affidavit as given in Schedule I, which is completed in line with the guidelines given in the directions.
- b) A letter from the previous directorship, employment or contract term immediately preceding the appointment regarding the level of performance of duties assigned in the particular organization.
- c) In addition to the above, a Board resolution with a justification for the appointment of a consultant or an advisor to the board of directors, board sub-committees or senior management of the LFC.

1.2. Existing/continuing key responsible persons

1.2.1 Board of directors and CEO

Information and documentation required	Chair-person	Board of Director	CEO
a) The original Affidavit As given in Schedule I which is completed in line with the guidelines given in the directions.	X	X	X
b) Self-assessment Incorporating the improvement of financial performance during past 12 months, details of any special assignments, projects carried out under the leadership and explaining the future plans to increase value of the LFC	X	X	X
c) Chairperson assessment Performance and the contribution with key achievements during the past 12 months.	-	X	X
d) Board resolution For board of directors exceeding the age of 70 years up to maximum of 75 years on the continuation of the directorship. The Board resolution must be sufficiently describing the benefit to the LFC of the continuation of such board of director/s and must be supported by documentation/evidence, wherever possible.	-	X	-
e) Non-executive directors' assessment on the chairperson performance Annual independent assessment of the chairperson's performance by the non-executive directors.	X	-	-

1.2.2 Other key responsible persons

- a) The original Affidavit
As given in Schedule I which is completed in line with the guidelines given in the directions
- b) Self-assessment
Incorporating the improvement of financial performance during the past 12 months, details of any special assignments, projects carried out under his/her leadership and explaining his/her future plans to increase value of the financial institution
- c) In addition to the above, the following assessments are required covering the performance and the contribution with key achievements during the past 12 months,
 - i) CEO's assessment
 - Consultant or advisors to the senior management
 - Other key responsible persons
 - ii) Chairperson's assessment
 - Consultant or advisors to the board of directors or board sub-committees

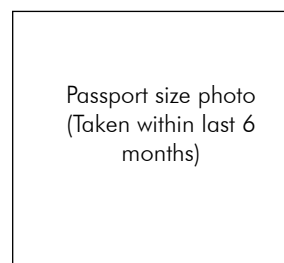
Schedule I

Assessing Fitness and Propriety of Key Responsible Persons of

Licensed Finance Company

AFFIDAVIT

Section 1: Information to be submitted in terms of Section 12 of the Finance Business Act, No.42 of 2011



Name of the LFC:

I (full name), holder of National Identity Card No.¹ and Passport number.....of.....

..... (address), being a [Buddhist / Hindu/ Muslim/ Christian / Catholic/other..... (please specify)] do hereby [solemnly, sincerely and truly declare and affirm/make oath and state (please specify as appropriate)] as follows:

- 1) I am the [affirmant / deponent²] above named and I have been elected/ nominated/appointed or proposed to be elected/ nominated/appointed as(designation) of(name of LFC) which is a licensed finance company under the Finance Business Act, No.42 of 2011.
- 2) I state that my personal details are as follows:

2.1	(i) Name with Initials:	
	(ii) Title: Mr/Mrs/Ms/Dr/Prof/Other (Please specify)	(iii) Age as at date of signing the affidavit: days/months/years
	(iv) Date of birth: dd/mm/yyyy	(v) Gender:
	(vi) Civil status:	(vii) Nationality:
	(viii) Citizenship ³ :	(ix) Local/expatriate:
2.2	(i) Contact details	Permanent address: Residential address:
	(ii) Telephone:	Mobile: Fixed line: Fax:
	(iii) Email	Email-official: Email-personal:
2.3	Occupation or profession:	
2.4	(i) Nominated, elected or appointed: Post/Designation in the LFC:	(ii) Date of appointment to the Post/Designation: (dd/mm/yyyy)
2.5	Nature of the appointment (Please mark X in relevant box(es):	
	Independent ⁴	Executive
	Non-Independent	Non-Executive
	Senior Director	Alternative
	Other (Specify):	
	If non-independent, reasons for determining as non-independent:	
	If nominated by major shareholder/s, name/s of such nominating shareholder/s:	
	If an alternate, name of the principal director:	
2.6	(i) Annual Remuneration (with detailed information):	
	(ii) Annual value of income/benefits derived by the key responsible person and its relative from the LFC:	
	(iii) Expenses borne by the LFC or reimbursement of any expenses (credit card bills, utility bills etc):	
2.7	2.7.1. Details of relative in terms of Section 74 of the Finance Business Act, No.42 of 2011	
	(i) Full name of the spouse:	
	(ii) NIC number ¹ :	(iii) Passport number:

1 Not applicable for expatriates
 2 A person who affirms is called an affirmant while a person who makes an oath is called a deponent. If a person has a conscientious objection to make an oath, he may, instead of making an oath, make an affirmation.
 3 A Dual Citizen is required to state whether he/she should be considered as local or expatriate
 4. In terms of the Finance Business Act, Corporate Governance Direction No. 05 of 2021

2.7.2. Details of dependent children:		
Full name	NIC number ¹	Passport number

3) I state that I possess the following academic and/or professional qualification/s:

Qualifications (academic)	Relevant discipline ⁵	Country	Name of the institution	Year of completion
Qualifications (Professional)				

4) I state the effective experience that I possess in banking, finance, business or administration or of any other relevant discipline⁵ is as follows:

Positions	Name of the institution	Designation /position	Nature of appointment (as per item 2.5 as applicable)	Work specialization	Date of appointment (dd/mm/yyyy)	Service period (dd/mm/yyyy to dd/mm/yyyy)
Previous positions						
(i) Directorships						
(ii) Other						
Current positions						
(i) Directorships						
(ii) Other						

In this regard, LFC is required to maintain documentary evidence and shall submit such evidence as and when required by the Director.

5) In addition to the above information, I state that I possess the following additional qualifications:

Special assignments/ consultancy	Name of the institution	Description	Service period (dd/mm/yyyy to dd/mm/yyyy)
(i)			
(ii)			
Outstanding contributions (publications, seminars conducted, research etc)			
Topic of the research/publication		Institute/place	Year

6) I state that I hold/do not hold shares in LFC and the related companies (subsidiaries, associates⁶ and other companies⁷), licensed banks, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the institution/s	Voting/Non-voting	No. of shares		Percentage holding	
		Direct	Indirect	Direct	Indirect

⁵ Banking/Finance, Business/Administration, Economics, Accounting/Auditing/Financial Analysis, Investment Management/Capital Markets, Information Technology, Strategic Planning, Risk Management, Human Resource Management, Law and Regulation, Marketing and Specific Qualifications and experience according to the Mandate of the LFC

⁶ In terms of the section 74 of the Finance Business Act, No. 42 of 2011

⁷ Hold substantial interest in other companies in terms of the section 74 of the Finance Business Act, No. 42 of 2011

7) Business Transactions

7.1. I state that I currently have/had the following business transactions during the two years immediately preceding the appointment, with the LFC and their related companies (subsidiaries, associates and other companies), other related parties of the LFC, licensed bank, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the Institution/s	Date of transaction (dd/mm/yyyy)	Amount as at dd/mm/yyyy (Rs. mn)		Classification (performing/non-performing)	Type and value of collateral (Rs.mn)	% of the LFC's core capital
		Limit	Outstanding			
Loans obtained						
(i) Current						
(ii) Prior to appointment						
Investments⁸						
(i) Current						
(ii) Prior to appointment						
Deposits						
(i) Current						
(ii) Prior to appointment						

8) Appointments, Shareholdings and Business Transactions of Relative

8.1. I state the following details of relatives presently employed as Directors, CEO or senior management of any LFC, its related companies (Subsidiaries, Associates, and Other Companies), licensed banks, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka.

Name of the relatives	Name of the institution	Position held

8.2. I state the following details of direct or indirect share ownership in the LFC, its related companies (Subsidiaries, Associates, and Other Companies), licensed banks, leasing companies & primary dealers registered with/licensed by the Central Bank of Sri Lanka, if any, presently held by any relative.

Name of the relative	Name of the institution/s	No. of shares		Percentage holding	
		Direct	Indirect	Direct	Indirect

8.3. I state that my relative currently has/had the following business transactions with LFC, its related companies (Subsidiaries, Associates and Other Companies), licensed banks, leasing companies and primary dealers registered with/licensed by the Central Bank of Sri Lanka, during the two years immediately preceding my appointment.

Name of the institution/s	Date of transaction (dd/mm/yyyy)	Amount as at dd/mm/yyyy (Rs.mn)		Classification (performing/non-performing)	Type and value of collateral (Rs.mn)	% of the LFC's core capital
		Limit	Outstanding			
Loans obtained						
Investments⁸						

8. Investment in debt instruments

- 9) I state that I am subject to/not subject to an investigation or inquiry involving fraud, deceit, dishonesty or other similar criminal activity, conducted by the police, any regulatory or supervisory authority, professional association, commission of inquiry, tribunal or other body established by law, in Sri Lanka or abroad;
- 10) I state that I am found / not found by any court of law, regulatory or supervisory authority, professional association, commission of inquiry, tribunal or any other body established by law in Sri Lanka or abroad, to the effect that such person has committed or has been connected with the commission of, any act which involves fraud, deceit, dishonesty, improper conduct or non-compliances with provisions of any statute or rules, regulations, directions or determinations issued thereunder;
- 11) I state that I have convicted/not been convicted by any court in Sri Lanka or abroad in respect of a crime committed in connection with financial management or of any offence involving moral turpitude.
- 12) I state that I am/am not an undischarged insolvent and have been/not been declared a bankrupt in Sri Lanka or abroad.
- 13) I state that I am/am not able fulfil any of the financial obligations, whether in Sri Lanka or elsewhere.
- 14) I state that I have failed/not failed, to satisfy any judgment or order of any court whether in Sri Lanka or abroad, or to repay a debt.
- 15) I state that I have been/not been declared by a court of competent jurisdiction in Sri Lanka or abroad, to be of unsound mind.
- 16) I state that I have been/ not been removed or suspended by an order of a regulatory or supervisory authority from serving as a Director/CEO/officer performing executive functions/senior management or any other officer in a licensed bank or any other financial institution or corporate body, in Sri Lanka or abroad.
- 17) I state that I have been/not been a Director, CEO or have held/not held any other position of authority in any bank or financial institution –
- (i) Whose licence has been suspended or cancelled; or
- (ii) Which has been wound up or is being wound up, or which is being compulsorily liquidated, whether in Sri Lanka or abroad.
- 18) I state that I am aware of the provisions of the Finance Business Act on assessment of fitness and propriety of my position and confirm that the above information is to the best of my knowledge and belief true and complete. I undertake to keep the LFC fully informed, as soon as possible, of all subsequent events, which are relevant to the information provided above.
- 19) I state that I am not prevented by any written law from being appointed to the above post.
- 20) I state that to the best of my knowledge, I am a fit and proper person to be nominated, elected or appointed as (designation) of a LFC in terms of the provisions of the Finance Business Act.

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(Month, Year)

Before me

.....
Affix the stamp as applicable

JUSTICE OF THE PEACE
COMMISSIONER FOR OATHS

Section 2: To be filled by the Company Secretary

1. Corporate Information

Recommendation of the nomination committee/appointing authority for Directors	
Assessment criteria (Please specify the specific knowledge/ skills considered by the nomination committee / appointing authority)	
Recommendation (Please attach minutes of the resolution/decision of the nomination committee/ appointing authority)	

2. Remarks of the Board of Directors

- (i) Any other explanation / information regarding the details furnished above.
- (ii) Submitted to the Board of Directors of the LFC /approval has been granted by the Board of Directors for above nomination, election or appointment, /proposed appointment, nomination or election at the meeting dated.....(dd/mm/yyyy)

Name:

**Signature of the company
secretary and the official stamp**

Date:

Guidance to Duly Complete the Affidavit to be submitted by the Key Responsible Person of LFCs

This guidance is issued to ensure that sufficient and accurate information is provided by an LFC for assessing the fitness and propriety of a key responsible person of LFC in Sri Lanka.

1. Purpose of obtaining the affidavit

- (i) The purpose of obtaining affidavits of key responsible persons of LFC is to enable the Department of Supervision of Non-Bank Financial Institutions to assess their fitness and propriety in terms of the provisions of the Finance Business Act. Accordingly, the Department of Supervision of Non-Bank Financial Institutions requires comprehensive information to evaluate the qualifications, experience, integrity and compliance with other requirements specified in the Finance Business Act, to assess the suitability of the key responsible person. This Affidavit shall be the legally binding document in the event of any dispute.

2. Affidavit

- (i) It is preferable that the Affidavit is prepared as a fresh document, based on the format provided by the Department of Supervision of Non-Bank Financial Institutions, so as to avoid inclusion of unnecessary words. However, if the given format is filled, all alterations, erasures and interlineations should be initialed by the Commissioner for Oaths/Justice of the Peace immediately after all such amendments.
- (ii) All blank spaces should be completed appropriately.
- (iii) Appropriate words should be used based on the religion of the officer. If the officer refrains/objects to disclose his/her religion, a confirmation should be submitted by the officer stating that:
 - a) He/she is an atheist or belongs to a religion not mentioned in this Affidavit; or
 - b) He/she objects to disclosing his/her religion.
- (iv) Strike-out the irrelevant word(s). If the irrelevant words are stricken out, the Commissioner for Oaths/Justice of the Peace should place his initials immediately after all such amendments.
- (v) If the person is a foreigner and signs the Affidavit while overseas:
 - a) Signature of the person should be attested by a Commissioner for Oaths or an equivalent in the country in which he places his signature.
 - b) Attestation should be made in front of the diplomatic or consular officer of Sri Lanka in the country where the key responsible person resides or in terms of the laws applicable in such country.
- (vi) Affix a stamp for the value applicable as at the date of signing the Affidavit, if applicable.
- (vii) Attest by a Commissioner for Oaths/Justice of the Peace immediately after the signature of the person at 'Before me'.
- (viii) Section 2 should be filled by the Company Secretary annexing a copy of the minutes of the Nominations Committee or Approving Authority pertaining to the relevant appointment.
- (ix) In item 2(1) of Sections 2 if there is no comment, it should be stated as Not Applicable/Nil/None.