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The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

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PART I : SECTION (I) — GENERAL

Government Notifications

L.D. B. 10/2017

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.

RANIL WICKREMESINGHE,
Minister of National Policies and Economic Affairs.

Colombo,
17th November, 2017.

Regulations

1. These regulations shall be cited as the Foreign Exchange (Capital Transactions in Foreign Exchange Carried On by Authorized Dealers) Regulations No. 2 of 2017 and shall come into operation the date on which the Act comes into operation.

PART I

CLASSES OF CAPITAL TRANSACTIONS

2. (1) Following capital transactions shall be authorized classes of capital transactions in foreign exchange carried on by licensed commercial banks as authorized dealers : -

(a) capital transactions undertaken outside Sri Lanka by a person resident in Sri Lanka subject to such limits, terms and condition specified in Schedule I to these regulations;

(b) capital transactions undertaken in Sri Lanka by a person resident outside Sri Lanka subject to such limits, terms and condition specified in Schedule II to these regulations ; and

(c) capital transactions undertaken under any approval (general or special) granted under the provisions of the repealed Exchange Control Act, subject to such limits, terms and condition specified in Schedule III to these regulations.

(2) Other capital transactions specified in Schedule IV to these regulations shall be carried on by licensed commercial banks as authorized dealers and licensed specialized banks deemed to have been authorized to deal in foreign exchange under section 4 (1)(d) of the Act and licensed specialized banks which may be authorized by the Central Bank to deal in foreign exchange under section 4(1)(c) of the Act, as authorized dealers, subject to such limits, terms and condition as specified in Schedule IV.

3. (1) Any person specified under heading H of Schedule IV who intends to open, maintain and operate an account within a bank outside Sri Lanka and close such accounts may do so for the purposes of these regulations.

(2) An Account opened under paragraph (1) may be credited with foreign currency received or acquired legally outside Sri Lanka or obtained from an authorized dealer or a person in Sri Lanka specified in paragraph 1 of heading H of Schedule IV for a foreign currency transaction of the account holder permitted under the provisions of the Act.

(3) Funds of the accounts opened under paragraph (1) may be utilized towards any foreign exchange transaction of the account holder permitted for a person resident in Sri Lanka under the provisions of the Act.

(4) Subject to the conditions specified in paragraph (5), where an account opened and maintained with a foreign bank in accordance with the permission granted under paragraph (1) is closed, the balance in the account shall be repatriated to Sri Lanka through banking channels, within one month of such closure of the account.

(5) Where a person who is permitted to open and maintain an account outside Sri Lanka under item (g) of heading H of Schedule IV above is refused student visa by such country or decides not to embark on studies after obtaining student visa, such person shall repatriate all monies lying to the credit of the account opened by such person outside Sri Lanka under this permission within one month from the date of such decision.

PART II

GENERAL CONDITIONS & C.

4. (1) Every licensed commercial bank as an authorized dealer, person engaged in capital transactions through a licensed commercial bank as an authorized dealer, issuers of securities and borrowers shall retain all information and documentary evidence in proof that capital transactions they engaged in are permitted transactions under these regulation, for a period of six years from each such transaction.

(2) In the case of investments in securities, obtaining of loans and guaranteeing liabilities, such information shall be retained for a period of six years from the date of disposal of such securities, repayment of loan or expiry of guarantee.

(3) Any person engaged in a capital transaction permitted under these regulations through a licensed commercial bank as an authorized dealer shall retain and maintain proper legally acceptable documentary evidence on inflows or outflows of funds, disposal or acquisition of assets, receipts of income or returns on capital transactions and any other documentary evidence which substantially prove the legality of such transactions.

(4) Every licensed commercial bank as an authorized dealer and every person engaged in capital transactions through a licensed commercial bank as an authorized dealer shall facilitate compliance with the provisions of this regulation by providing necessary documents at the time of such transactions.

5. For the purpose of these regulations-

"Act" means the Foreign Exchange Act, No. 12 of 2017;
"authorized 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;
"licensed commercial bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
"repealed Exchange Control Act" means the Exchange Control Act (Chapter 423).

SCHEDULE I

(Regulation 2 (a))

CAPITAL TRANSACTIONS UNDERTAKEN OUTSIDE SRI LANKA BY PERSONS RESIDENT IN SRI LANKA

1. Any eligible resident investor may purchase foreign exchange from any licensed commercial bank as an authorized dealer to make payments to persons resident outside Sri Lanka for the capital transactions for following purposes:

(a) to acquire and hold shares and, debt securities of companies incorporated outside Sri Lanka (an overseas company), units in regulated unit trusts and 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 capital transactions specified in paragraph 1 above shall be subject to the limits specified in Table 1 below and also to the provisions of this Schedule:

Table 1 – Limits for Outward Investments

Column I	*Column II*	*Column III*
Eligible Resident Investor	*Type of Investment*	*Permitted limit*
(i) A company listed in the Colombo Stock Exchange	Shares, Units, Debt Securities and Sovereign Bonds	USD 2,000,000 or an equivalent amount in any foreign currency designated by the Central Bank, per calendar year
(ii) A company not listed in the Colombo Stock Exchange		USD 500,000 or an equivalent amount in any foreign currency designated by the Central Bank, per calendar year
(iii) A partnership registered in Sri Lanka		USD. 300,000 or an equivalent amount in any foreign currency designated by the Central Bank, for life time.
(iv) An individual		USD. 200,000 or an equivalent amount in any foreign currency designated by the Central Bank, for life time.
(v) A company or a partnership	Setting up of Overseas offices	USD. 300,000 or an equivalent amount in any foreign currency designated by the Central Bank, per calendar year.

(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 by the *Gazette* Notification Nos. 1686/50, 1686/52 and 1686/53 of dated January 1, 2011 issued in terms of the repealed Exchange Control Act.

3. Any investments exceeding the limits above shall require a special approval of the Monetary Board in terms of section 7 of the Act upon applications submitted to the Head of the Department of Foreign Exchange of the Central Bank.

4. The outward remittances required to make permitted investments shall be made through an Outward Investment Account opened and maintained by the eligible resident investor with a licensed commercial bank as an authorized dealer.

5. Any income from such investments and disposal proceeds (including any subsequent shares devolving on such investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion) 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 payment.

6. Each eligible resident investor shall maintain all Outward Investment Accounts with one licensed commercial bank as an authorized dealer and any such investor who requires to open and maintain Outward Investment Accounts with more than one licensed commercial bank as an authorized dealer, shall obtain a special approval from the Head of the Department of Foreign Exchange of the Central Bank by submitting a request through the respective a licensed commercial bank as an authorized dealer.

7. A person resident in Sri Lanka against whom legal proceedings in respect of a prosecution or investigations are pending against such person under the provisions of the repealed Exchange Control Act or this Act shall not be eligible to carry out capital transactions for purposes permitted under this Schedule.

8. Any eligible resident investors may acquire and hold shares of an overseas company without restriction and irrespective of the limits specified in Table 1 of paragraph 2 of this Schedule, where no consideration has to be paid in respect of permitted investments.

9. The limits specified in Table 1 of paragraph 2 of this Schedule shall not apply to an individual who is required to effect payment for shares vested in that individual under an Employee Share Ownership Plan or Employee Share Option Scheme offered by an overseas company to the employees of its branch or subsidiary in Sri Lanka. If there is any requirement to make an outward remittance by way of consideration for the receipt of shares mentioned above, to such overseas company on basis of a lump-sum remittance from the subsidiary or branch established in Sri Lanka, such fund transfers may be effected by a licensed commercial bank as an authorized dealer upon satisfying with the *bona fides* of the transaction.

10. An eligible resident investor may be permitted to make investments for purposes permitted under this 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 Schedule.

11. For the purpose of this Schedule-

"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;

"eligible resident investor" means an eligible resident investor as specified in column 1of Table 1 of paragraph 2 above;

"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.;

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

SCHEDULE II

(Regulation 2(b))

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

A. Permitted Investments

1. Any person resident outside Sri Lanka including country funds, regional funds, investment funds and mutual funds established outside Sri Lanka may engage in the following types of capital transactions in Sri Lanka which requires remittance of foreign exchange into Sri Lanka.

(a) subject to the exclusions specified in paragraphs 3 and subject to the limitations specified in paragraph 4 under heading A of this Schedule, invest, acquire or hold all classes of shares or an entitlement to shares (including any subsequent shares devolving on such investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion) issued by Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007;

(b) invest, acquire or hold all classes of shares in a company not incorporated in Sri Lanka and listed in the Colombo Stock Exchange;

(c) investment in debt securities or granting loans with a tenure of 3 or more years to companies incorporated in Sri Lanka (other than licensed commercial banks, licensed specialized banks, licensed finance companies, specialized leasing companies and companies limited by guarantee and overseas companies) in foreign exchange or in Sri Lanka Rupees;

(d) grant loans or invest in debt securities issued in foreign currency or Sri Lanka Rupees by licensed commercial banks, licensed specialized banks, licensed finance companies, specialized leasing companies subject to the approval of the relevant regulatory authorities;

(e) subject to the provisions or restrictions in any other written law, investments in-

(i) units in Unit Trusts or Mutual Funds and any other securities issued by the Government ;

(ii) Government Securities (treasury bills and treasury bonds);

(iii) securities issued by the Central Bank of Sri Lanka or any other statutory body;

(iv) Sri Lanka Development Bonds (SLDBs);

(v) deposits in licensed financial Institutions;

(vi) immovable properties; or

(vii) any other investment categories approved by the Monetary Board in accordance which such directions as may be issued by Minister.

2. All capital transactions specified in items (a) to (f) of paragraph 1 under heading A above, shall be subject to the following conditions-

(a) all funds required for capital investments referred to above shall be made through an Inward Investment Account opened and maintained in any foreign currency designated by the Central Bank or Sri Lanka Rupee with a licensed commercial bank as an authorized dealer;

(b) all income received from such investments and proceeds of disposal of the investments shall be credited to the Inward Investment Account through which the investment was made;

(c) all income, proceeds on sale of the above investments (including any subsequent shares devolving on such investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion) transferred from a person who is non-national (excluding emigrants as defined in sub paragraph (1) of paragraph 1 under heading B of schedule IV to a person who is non-national (excluding emigrants as defined in sub paragraph (1) of paragraph 1 under heading B of schedule IV) by way of inheritance may be repatriated through an Inward Investment Account opened by the beneficiary, if the original investment has been made *via* Inward Investment Account of the initial investor in compliance with paragraph 1 under heading A of this Schedule or by way of an inward remittance through a Securities Investment Account re-designated as inward investment account or any other account prior to the date of operation of these regulations.

(d) all income, proceeds on sale of the above investments (including any subsequent shares devolving on such investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion) made prior to the effective date of this regulation may be repatriated through an Inward Investment Account opened by the investor subject to the submission of evidences of the inward remittance for the original investment. In the event of evidence of the inward remittance for the investment are not available for investments made prior to January 1, 2010, the said proceeds and any income of the investment may be repatriated through an Inward Investment Account opened by the non-resident investor upon satisfying with the *bona fide* of the underlying transaction by the licensed commercial bank as an authorized dealer.

(e) resident entities involved with the capital transactions, specified in paragraph 1 of this Schedule including investee company, company secretaries and all intermediaries including stockbrokers units, trusts, mutual funds and financial instutions shall be responsible to ensure that persons resident outside Sri Lanka carries on such capital transactions in compliance with all requirements specified under this Schedule.

3. *Exclusions* – The permission under paragraph 1(a) of paragraph 1 under heading A of this Schedule shall not apply for in respect of shares of a company proposing to carry on or carrying on any of the following businesses-

(a) pawn brokering;

(b) coastal Fishing;

(c) retail trade where a capital contributed by persons resident outside Sri Lanka will be less than USD 5 Million.

4. *Limitations*

(1*)* The permission under paragraph 1(a) of paragraph 1 under heading A of this Schedule shall apply in respect of shares in a company carrying on or proposing to carry on any of the following businesses only up to 40 per cent of the stated capital 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 Ministry assigned the subject of Fisheries).

(f) Mass communication.

(g) Education.

(h) Freight forwarding.

(i) Travel agencies.

(j) Shipping Agencies.

(2) The permission shall apply in respect of shares in a company carrying on or proposing to carry on any of the following businesses specified below only up to the percentage of the stated capital of the company, for which percentage either general or special approval has been granted by the Government of Sri Lanka or any legal or administrative authority set up for the approval of foreign investments in such businesses-

(a) air transportation;

(b) coastal shipping (as defined by the Ministry assigned the subject of Fisheries);

(c) industrial undertaking in the Second Schedule of the Industrial Promotion Act, No.46 of 1990, namely-

(i) any industry manufacturing arms, ammunitions, explosives, military vehicles and equipment, aircraft 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.

5. For the avoidance of doubt, it is hereby declared that in interpreting the provisions under heading A, the general principle applicable shall be that investors shall repatriate income and proceeds arising from disposal of investments permitted under these paragraphs including any capital gains, in all instances where the original investment has been made utilizing remittances of foreign exchange into Sri Lanka. Where an investor has deviated from the procedural requirements set out in these regulations, the Central Bank shall upon an application made to it through a licensed commercial bank as an authorized dealer have the power to authorize outward remittances by an investor in conformity with this principle upon satisfying with the *bona fides* of the application.

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

1. (i) An overseas company registered under the Companies Act, No. 7 of 2007, may carry on in Sri Lanka -

(a) any commercial, trading, or industrial activity, other than the activities specified in paragraph 2 under heading B of this Schedule, provided that prior permission has been obtained from the Government of Sri Lanka or any legal or administrative authority established to grant approval for foreign investments for the activities specified in paragraph 3 under heading B of this Schedule; or

(b) any non-commercial, non-trading or non-industrial activity such as the activities undertaken or carried on by a liaison office, representative office, regional office or other similar office, provided such activities do not provide any income directly or indirectly to the company.

(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, invest a minimum of United States Dollars (USD) 200,000 or equivalent amount in other designated foreign currencies, out of remittances received from abroad and channeled through an Inward Investment Account opened with a licensed commercial bank as an authorized dealer in Sri Lanka to the credit of an account of the overseas company and provide evidence for the proof of said remittance, to the Department of Registrar of Companies, within thirty days of the registration.

(b) In case of a place of a business such as a liaison office, representative office or other similar office, remit in the funds required for the setting up and maintenance of such place of business through an Inward Investment Account opened with a licensed commercial bank as an authorized dealer in Sri Lanka to the credit of an account of the overseas company.

(3) An overseas company referred to in sub paragraph (1) above may remit out of Sri Lanka, their profit, royalty, franchise or other similar payments or surplus funds net of tax through the Inward Investment Account of the parent company through which the investment was routed, An overseas company registered prior to the effective date of this regulation shall remit out the said payments through an Inward Investment Account of the parent company upon satisfying the licensed commercial bank as the authorized dealer about the *bona fide* of the underlying transaction.

For the purpose of sub paragraph (1)(a) of paragraph 1 under heading B of this Schedule, following commercial, trading and industrial activities are not permitted to be carried out by an overseas company:

(a) money lending (other than the branches of foreign banks registered in Sri Lanka under the Banking Act, No. 30 of 1988);

(b) pawn brokering;

(c) retail trade where the capital contributed by persons resident outside Sri Lanka is and less than USD 5 million after such investment

(d) coastal fishing;

(e) growing and primary processing of tea, rubber, coconut and rice;

(f) mining and primary processing of non-renewable national resources

(g) freight forwarding;

(h) shipping agency business;

(i) mechanized mining of gems; and

(j) lotteries.

3. For the purpose of sub paragraph (1)(a) of paragraph 1 under heading B of this Schedule, following activities are permitted to be carried out with the prior permission of the Government of Sri Lanka or any legal or administrative authority established to grant approval for foreign investments-

(a) production of goods where Sri Lanka's exports subject to internationally determined quota restrictions;

(b) growing and primary processing of sugar, cocoa and spices;

(c) timber based industries using local timber;

(d) deep sea fishing;

(e) mass communication;

(f) education;

(g) outbound travel agency business;

(h) local air transportation;

(i) any industry manufacturing or producing-

(i) arms, ammunitions, explosives, military vehicles and aircraft equipment and other military hardware;

(ii) poison, narcotics, alcohol, dangerous drugs and toxic hazardous or carcinogenic material; and

(iii) currency, coins and security documents.

4. For the avoidance of doubt, it is hereby declared that in interpreting the provisions under heading B, the general principle applicable shall be that investors shall repatriate out of Sri Lanka income and proceeds arising from disposal of investments permitted under these paragraphs in all instances where the investment has been made utilizing remittances of foreign exchange into Sri Lanka. Where an investor has deviated from the procedural requirements set out in these regulations, the Central Bank shall upon an application made to it through a licensed commercial bank as an authorized dealer have the power to authorize outward remittances by an investor in conformity with this principle upon satisfying with the *bona fides* of the application.

5. For the purpose of this Schedule-

"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;
"licensed commercial bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
"licensed specialized 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 specialized Bank
c. a micro finance company licensed under the Micro Finance Act, No. 6 of 2016.
d. a specialized leasing company ; or
e. a licensed Finance Company

"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;

"specialized leasing company" means a company registered under the Finance Leasing Act, No. 56 of 2000 to conduct financé leasing business;

"Sri Lanka Development Bonds" means a debt instrument denominated in United States Dollars issued by the Public Debt Department of the Central Bank of Sri Lanka on behalf of the Government of Sri Lanka.

SCHEDULE III

(Regulation 2(c))

CAPITAL TRANSACTIONS UNDERTAKEN UNDER ANY APPROVAL (GENERAL OR SPECIAL) ALREADY GRANTED IN TERMS OF THE PROVISIONS OF THE REPEALED EXCHANGE CONTROL ACT

All existing transactions under the provisions of the repealed Exchange Control Act similar to the capital transactions specified in Schedules I, II and IV to these regulations may be continued subject to the terms and conditions specified for such transactions unless specifically varied by these regulations or any subsequent regulations.

SCHEDULE IV

(Regulations 2(2) and 4)

OTHER CAPITAL TRANSACTIONS

All other capital transactions specified under headings A to H below of this Schedule shall be undertaken through a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 for this purpose.

A. Repatriation of sales proceeds of immovable property (land and buildings) held by residents outside Sri Lanka.

1. A Licensed commercial banks as an authorized dealers or a licensed specialized banks as authorized under paragraph (2) of regulation 2 are permitted to repatriate sale proceeds including capital gains, if any, paid in Sri Lanka Rupees by a person resident in Sri Lanka to a person resident outside Sri Lanka where such payments form the consideration payable in respect of a sale of immovable property in Sri Lanka by the owner or the heir of such property who is resident outside Sri Lanka for the following purposes and subject to laws applicable for acquisition, ownership and possession of immovable property in Sri Lanka-

(a) to credit an Inward Investment Account of the owner or the heir, if the original acquisition of the immovable property was made utilizing the funds in the Inward Investment Account.

(b) to credit an account maintained outside Sri Lanka by the owner or the heir, on ascertaining the proof of inward remittance (including funds sent by the owner to an account of a third party in Sri Lanka who has facilitated the acquisition of the immovable property by the owner) for the original acquisition and/or the development of such property.

B. Migrant Transfers

1.(1) A Sri Lanka national who has been a resident of Sri Lanka and has obtained Permanent Residency (PR) or citizenship in another country, including a dual citizen (hereinafter referred to as an emigrant) is eligible for the migration allowance, which includes proceeds realized from the sale of movable and immovable property, tangible and intangible assets owned by the emigrant and gifts received by the emigrant from the spouse and parents. Assets may include the value of precious stones, precious metals, personal jewellery and other assets held in Sri Lanka including estates inherited as beneficiaries.

(2) Following limits shall be applicable for the transactions specified in paragraph (1) of heading B above-

(a) an initial migration allowance of USD 200,000 per individual aged 18 years and above, subject to directions issued by the Central Bank of Sri Lanka.

(b) an annual migration allowance of USD 30,000. The first such annual allowance is transferable after lapse of 12 months from the full utilization of the initial allowance of USD 200,000. With the exception of the first allowance, subsequent allowances shall be transferable per calendar year and can be transferred in accumulation, subject to directions issued by the Central Bank of Sri Lanka.

(c) an annual allowance of USD 30,000 in respect of foreign nationals as proceeds from sale of inherited property in Sri Lanka subject to the directions issued by the Central Bank of Sri Lanka.

(3) The migration allowance should be remitted out through a Capital Transaction Rupee Account (CTRA) opened with a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2.

(4) Eligible migration allowance as approved by the licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 can be transferred from Capital Transaction Rupee Account to applicant's Personal Foreign Currency Account and/or Inward Investment Account in Sri Lanka or transferred to an account of the emigrant maintained outside Sri Lanka.

(5) Current income (including interest, dividends, pensions, rent, lease rentals and profits) and superannuation benefits (Employees Provident Fund (EPF), Employees Trust Fund (ETF) gratuity and any other approved person or retirement fund) shall be credited to the Capital Transaction Rupee Account and can be transferred in addition to the migration allowance to Personal Foreign Currency Accounts and/or Inward Investment Account in Sri Lanka or to an account maintained by the emigrant outside Sri Lanka.

2. Emigrants and/or foreigners of Sri Lankan origin shall obtain prior approval of the Central Bank of Sri Lanka to open and maintain foreign exchange accounts in any designated foreign currency for the purpose of crediting proceeds/ income of inherited assets derived in foreign currency, if any, for such person.

C. Granting of Loans and Advances in Sri Lanka to Residents outside Sri Lanka

Licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 may grant loans and advances in foreign currency or in Sri Lanka Rupees for certain purposes to categories of persons as set out below.

1. Sri Lankans, resident outside Sri Lanka on Permanent Residency (PR) visa in another country and dual citizens.

(1) Loans shall be granted in foreign currency or in Sri Lanka Rupees for the purpose of acquisition/ construction/development and renovation of a residential property in Sri Lanka.

(2) Foreign currency loans shall be granted only if the borrower has foreign currency earnings to repay the loan.

(3) Loan proceeds shall be disbursed in Sri Lanka Rupees unless the borrower requests to transfer the loan proceeds to foreign exchange accounts maintained by persons resident in Sri Lanka, who residential property, provided such persons are permitted to accept foreign currency.

(4) Loans granted in foreign currency shall be repaid with foreign currency inward remittances or by utilizing funds available in Personal Foreign Currency Accounts and Inward Investment Accounts of the borrower.

(5) Loans granted in Sri Lanka Rupees shall be repaid with foreign currency inward remittances or by utilizing funds available in Personal Foreign Currency Accounts and Inward Investment Accounts and by utilizing Sri Lanka Rupee earnings of the borrower.

(6) Recoveries of foreign currency loans in Sri Lanka Rupees (at default) shall be carried out only at a stage of such loans being classified as non-performing at least in the substandard category, in terms of the Banking Act Directions, No. 3 of 2008 (as amended), as follows:

(a) Firstly, through foreign currency assets of the borrower.

(b) Secondly, through proceeds realized from the sale of the mortgaged assets or other domestic assets.

(c) As a last resort, Sri Lanka Rupee proceeds shall be converted only up to the extent of the amount required to settle any remaining loan balance.

2. Sri Lankans employed abroad (other than emigrants)

(1) Loans and advances shall be obtained in foreign currency or in Sri Lanka Rupees from a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 to be utilized for any purpose in Sri Lanka, provided the borrower as the capacity to service such loans in foreign currency.

(2) Before granting such loans a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 shall assess the credit risk of such loan.

(3) Loans and advances in foreign currency/Sri Lanka Rupees shall be granted upon obtaining adequate security to mitigate the credit risk in the form of a mortgage over freehold property (land and buildings) or in the form of a lien on foreign currency deposits/assets.

(4) The tenure of the loans shall be decided based on the borrower's probable tenure of employment abroad and such loans shall be disbursed in accordance with procedures usually followed by the banks.

(5) Foreign currency loan proceeds shall be disbursed in Sri Lanka Rupees to the borrower unless the borrower request to transfer the loan proceeds to foreign currency accounts maintained by person residents in Sri Lanka, who develop residential property, provided that such persons are permitted to accept foreign currency.

(6) Loans granted in foreign currency shall be repaid in foreign currency through inward remittances or balance in the Personal Foreign Currency Accounts of the borrower.

(7) Loans granted in Sri Lanka Rupees shall be serviced only out of funds available in the Personal foreign Currency Accounts of the borrower as long as said borrower is employed outside the country. These loans may be serviced in Sri Lanka Rupees of the borrower, only if the borrower becomes a residents in Sri Lanka after ending the overseas employment contract.

(8) Recoveries of foreign currency loans in Sri Lanka Rupees (on default) shall be carried out only at a stage of such loans being classified as non-performing at least in the substandard category, in terms of the Banking Act Directions, No. 3 of 2008 (as amended), as follows:

(a) Firstly, after applying foreign currency assets/deposits/balances in the Personal Foreign Currency Accounts of the borrower; towards repayment of the loan
(b) Secondly, through proceeds realized from the sale of the mortgaged assets or other domestic assets of the borrower; and
(c) As a last resort, Sri Lanka Rupee proceeds shall be converted only up to the extent of the amount required to settle any remaining loan balance.

D. Borrowings by Sri Lankan Students Pursuing Education in an Overseas Country

1. Any Sri Lankan citizen who has proceeded outside Sri Lanka for educational purpose is permitted to borrow from banks, financial institutions, universities or educational institutions in foreign countries in order to meet tuition/living expenses while undertaking studies abroad and to repay such loans by remitting funds from Sri Lanka through a licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2.

2. Any licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 may make outward remittances to respective lending institutions to repay the said 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 *bona-fide* of the transaction.

E. Payments related to Financial Derivative Transactions

Any licensed commercial bank as an authorized dealer may make payments in foreign exchange for financial derivative products in respect of current transactions and capital transactions (underlying transactions) permitted under the provisions of the Foreign Exchange Act, after satisfying with the *bona fide* of such underlying transactions as per the directions issued by the Central Bank of Sri Lanka.

F. 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 120 days from the date of exportation.

2. A grace period of 30 days may be granted by the Central Bank of Sri Lanka after the completion of 120 days prior to instituting any action against any violations of the above requirement.

3. Every exporter of goods shall submit related documentary evidence on each exportation to the respective licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 that receives the payment.

G. Issuing of Financial Guarantees by a Person Resident in Sri Lanka in favour of a Non-Resident

1. Bank Guarantees, Bonds or Standby Letters of Credit

(1) Every licensed commercial bank as an authorized dealer or licensed specialized bank as authorized under paragraph (2) of regulation 2 is permitted to issue and renew following bank guarantees, bonds or standby letters of credit in respect of capital transactions, subject to the directions issued to the licensed commercial banks as authorized dealers by the Central Bank -

(a) the guarantees as collateral to secure payments of members obligations on membership and reimbursement of visa expenses on behalf card centers of licensed commercial bank as an authorized dealer or a licensed specialized banks

(b) bid bonds, performance bonds, advance payment guarantees required to issue on behalf of a person resident in Sri Lanka in favor of a person resident outside Sri Lanka in respect of overseas contracts undertaken by the person resident in Sri Lanka, subject to the conditions stipulated in tender or quotation or contract. Any other guarantees required for the said purpose shall be issued up to maximum limit of USD 1mn per contract;

(c) A guarantee on behalf of a principal obligor who is a resident outside Sri Lanka in favour of a person resident in Sri Lanka in respect of a contract in Sri Lanka, subject to obtaining a counter guarantee on identical terms from the principal obligor who is a resident outside Sri Lanka issued by a reputed international bank outside Sri Lanka with a rating acceptable to the licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2;

(d) A guarantee, in the event the principal obligor is a person resident outside Sri Lanka and a guarantee is to be given by his agent in Sri Lanka in favor of a person resident in Sri Lanka in respect of a contract in Sri Lanka, at the request of the agent in Sri Lanka subject to obtaining a counter guarantee on identical terms from the principal obligor resident outside Sri Lanka issued by a reputed international bank outside Sri Lanka with a rating acceptable to the licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2;

(e) A guarantee, in the event where a company incorporated in Sri Lanka (investor) is required to provide a bank guarantee to enable a company incorporated outside Sri Lanka (investee) in which the said investor is a shareholder to raise facilities from financial institutions in the country where the investee is incorporated, 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. The guarantee value shall be proportionate to the percentage shareholding of the investor in the said investee at any given time;

(f) In the event where a company incorporated in Sri Lanka (investor) is required to provide a bank guarantee to enable a branch established outside Sri Lanka by the said investor to raise facilities from financial institutions in the country where the branch is established. A Guarantee up to USD 500,000 may be issued per branch established outside Sri Lanka by the investor if the investment in said branch has been made in compliance with the provisions of the repealed Exchange Control Act or this Act;

(g) in the event where a person resident outside Sri Lanka undertakes a project in Sri Lanka as a contractor and a person resident in Sri Lanka is required to issue a guarantee in favor of the said contractor in the capacity of a sub-contractor, bid bonds, performance bonds, advance payment guarantees may be issued subject to the conditions stipulated in tender or quotation. Any other guarantees required for the said purpose shall be issued up to maximum limit of USD 1,000,000 per contract; or

(h) In the event a company incorporated in Sri Lanka act as an agent of a company incorporated outside Sri Lanka (the principal) subject to an agreement entered into between both parties (agency agreement), a guarantees shall be issued on behalf of the agent in favor of principal to a maximum amount of USD 2,000,000, as required in the said agency agreement.

2. Corporate Guarantees

(1) A company incorporated in Sri Lanka, in the event where a company incorporated in Sri Lanka (investor) is required to provide a corporate guarantee to enable a company incorporated outside Sri Lanka (investee) in which the said investor is a shareholder to raise facilities from financial institutions in the country where the investee is incorporated, shall be permitted to issue a corporate guarantee 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 recover the liability of the corporate guarantee. The Board of directors of the company shall ensure that

the company has the 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.

(2) Companies referred to in sub paragraph (1) above are required to furnish the details of each 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 of Sri Lanka within 14 days from the effective date of the said guarantee.

3. For the purpose of paragraph 1 and 2 above:-

(a) every licensed commercial bank as an authorized dealer or a licensed specialized bank as authorized under paragraph (2) of regulation 2 is also permitted to make outward remittances arising from valid claims in respect of the guarantees referred to above and the maximum limit of the claim shall be proportionate or lower to the outstanding obligation of the underlying facility.

(b) any guarantee exceeding the above limits and does not fall under the above categories shall require a special approval of the Monetary Board under section 7 of the Act. An application in this regard shall be submitted to the Head of the Department of Foreign Exchange of the Central Bank.

H. Persons permitted to Open, maintain and operate an account with a bank outside Sri Lanka under regulation 3

Following persons are permitted to open, maintain and operate a foreign exchange account with a bank outside Sri Lanka -

(a) A person resident in Sri Lanka who has proceeded outside Sri Lanka temporality for business, studies or for medical purposes;

(b) An individual who provides, or a company or firm registered in Sri Lanka which provides professional or vocational services outside Sri Lanka;

(c) An individual who has been permitted or a company or a firm registered in Sri Lanka which has been permitted by the Monetary Board in accordance with such directions may be issued by the Minister to invest outside Sri Lanka;

(d) An exporter of merchandise goods;

(e) A person who has obtained a valid permanent residency permit from another country;

(f) A dual citizen; and

(g) A person resident in Sri Lanka who intends to proceed outside Sri Lanka for studies in a country where such person is required by the visa granting authority to open and maintain an account with a bank in such country as a condition to grant visa.

I. For the purpose of this Schedule-

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

L. D. B. 10/2017

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.

RANIL WICKREMESINGHE,
Minister of National Policies and Economic Affairs.

Colombo
17th November, 2017.

Regulations

1. These regulations may be cited as Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 2 of 2017 and shall come into operations on the date on which the Act comes into operation.

PART I

AUTHORITY TO OPEN ACCOUNTS

2. The following persons shall have the authority to open and maintain foreign exchange accounts or Sri Lanka Rupee accounts, in the name of any person to deal in capital transactions-

(a) any licensed commercial bank as an authorized dealer;

(b) any licensed specialized bank which is deemed to have been authorized by the Central Bank under section 4(1)(d) of the Act to deal in foreign exchange for the purposes specified in such authorization; and

(c) any licensed specialized bank as may be authorized by the Central Bank under section 4 (1)(c) of the Act to deal in foreign exchange for the purposes specified in such authorization.

3. A Financial Institution resident outside Sri Lanka may open and maintain foreign exchange accounts and Sri Lanka Rupee accounts with any licensed commercial bank in Sri Lanka for the purpose of effecting payments to persons in Sri Lanka.

4. A licensed commercial bank as an authorized dealer or a licensed specialized bank as specified in paragraphs (b) and (c) of regulation 2 may open and maintain Nostro Accounts with a bank incorporated outside Sri Lanka or branches of such bank established outside Sri Lanka, in order to facilitate efficient settlement of foreign exchange transactions in other countries by such licensed commercial bank as an authorized dealer.

PART II

TYPES OF ACCOUNTS

5. (1) Following types of accounts may be opened and maintained by any licensed commercial bank as an authorized dealer or any licensed specialized bank as specified in paragraphs (b) and (c) of regulation 2:

(a) Inward Investment Account (IIAs)

(b) Outward Investment Account (OIAs)

(c) Capital Transaction Rupee Account (CTRAs)

(d) Diplomatic Foreign Currency Accounts (DFAs)

(e) Diplomatic Rupee Accounts (DRAs)

(2) Inward Investment Accounts, Outward Investment Accounts and Capital Transactions Rupee Accounts and Diplomatic Foreign Currency Accounts may be opened and maintained as Current (without cheque drawing facility), Savings or Term Deposit accounts in Sri Lanka Rupees or any designated foreign currency.

(3) Inward Investment Accounts**,** Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts maintained by individuals may be held as sole or joint accounts with another eligible person.

(4) The accounts specified in paragraph (1) shall be opened and maintained by licensed commercial banks as authorizied dealers in their domestic banking units.

6. Any account specified in regulation 5 shall be opened and maintained in Sri Lanka Rupees or any foreign currency specified in Schedule I to these regulations or any other currency as may be specified by the Central Bank from time to time.

7. (1) No person shall open an account specified in regulation 5 where such person is not eligible to open such an account as specified in Schedule II to the regulations.

(2) Every licensed commercial bank as an authorized dealer or licensed specialized bank as specified in paragraphs (b) and (c) of regulation 2 shall exercise due diligence and reasonable care to ascertain persons seeking to open and maintain an account specified in regulation 3 is eligible to open and maintain such accounts under criteria specified in Schedule II. Information and documentary evidence relating to the account holders evidencing their eligibility during the maintenance of the account and a period of six years after the closure of an account shall be maintained by every licensed commercial bank as an authorized dealer or licensed specialized bank as specified in paragraphs (b) and (c) of regulation 2.

(3) The criteria for eligibility to open each type of account specified in regulation 3, the permitted debit and credit limits for each type of such account shall be as specified in Schedule II to these regulations.

(4) Nothing in these regulations shall prevent the licensed commercial banks as authorized dealers or licensed specialized banks as specified in paragraphs (b) and (c) of regulation 2 or account holders from complying with the provisions of any other law in relation to opening and maintaining accounts..

PART III

RE-DESIGNATION OF EXISTING ACCOUNTS & C.

8. All licensed commercial banks as authorized dealers and licensed specialized banks as specified in paragraph (b) of regulation 2 shall re-designate -

(a) all existing Securities Investment Accounts (SIAs) and Special Foreign Investment Deposit Accounts (SFIDAs) opened and maintained in foreign currencies and in Sri Lanka Rupees under the provisions of the repealed Exchange Control Act, as Inward Investment Accounts (IIAs); and

(b) all existing Non- Resident Rupee Accounts (NRRAs), Non- Resident Blocked Accounts (NRBAs) and Migrant Blocked Accounts (MBAs) as Capital Transactions Rupee Accounts (CTRA),

by January 1, Two Thousand and Eighteen.

9. For the purpose of these regulations-

"Act" means the Foreign Exchange Act, No. 12 of 2017;
"authorized 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;
"financial institution" means a company licensed under the Finance Business Act No. 42 of 2011 to conduct finance business;
"person" shall have the same meaning as in the Interpretation Ordinance (Chapter 2);
"licensed commercial bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
"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;
"repealed Exchange Control Act" means the Exchange Control Act (Chapter 423).

SCHEDULE I

(Regulation 6)

DESIGNATED FOREIGN CURRENCIES

(1) United States Dollars (USD)

(2) Euro,

(3) Sterling Pound

(4) Australian Dollars

(5) Singapore Dollars

(6) Swedish Kroner

(7) Swiss Franc

(8) Canadian Dollars

(9) Hong Kong Dollars

(10) Japanese Yen

(11) Danish Kroner

(12) Norwegian Kroner

(13) Chinese Renminbi

(14) New Zealand Dollars

SCHEDULE II

(Regulation 7)

ELIGIBILITY AND PERMITTED DEBIT AND CREDIT LIMITS OF ACCOUNTS

1. **INWARD INVESTMENT ACCOUNTS (IIAs)**

(1) *Persons eligible to open an IIAs*

(a) A non- national resident in or outside Sri Lanka.

(b) A non-national of Sri Lankan origin, who is a resident outside Sri Lanka

(c) A Sri Lankan citizen, resident outside Sri Lanka.

(d) A Company incorporated outside Sri Lanka.

(e) Country and Regional Funds, Mutual Funds, Unit Trusts and other Institutional investors who are established outside Sri Lanka.

(f) An administrator or executor of a deceased person, in the name of such deceased person who maintained an Inward Investment Account with that authorized dealer until the completion of the administration of the deceased person's estate.

(g) A receiver or liquidator of a Company that maintained an Inward Investment Account with that authorize dealer until proceedings are concluded.

(h) Any other person or category of persons who may be authorized by the Central Bank from time to time.

(2) *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 Personal Foreign Currency Accounts, Inward Investment Accounts or accounts maintained in the Offshore Banking Unit of the same account holder.

(c) Dividends, sale or maturity proceeds, disposal of liquidation, capital redemption, share buyback, profits, surplus funds, rental income, recovery of principal, interest or any other related income received from capital transactions undertaken in Sri Lanka by persons resident outside Sri Lanka as permitted under the provisions of the Foreign Exchange Act, No. 12 of 2017.

(d) Foreign currency brought into Sri Lanka by the account holder upon declaration (*i.e.*, where such foreign currency notes exceed or equals to USD 15,000 or its equivalent in other foreign currency on a declaration to Customs Department or where such foreign currency notes are less than USD 15,000 or its equivalent in other foreign currency on an appropriate declaration to the authorized dealer).

(e) Sale proceeds including capital gains, leasehold rights, sub-lease hold rights, if any, received in Sri Lanka Rupees re-designated where such investment had been made through the Inward Investment Account [or through the Securities Investment Account of the account holder or upon ascertaining the proof of inward remittances prior to these regulations come into effect].

(f) Transfers from Business Foreign Currency Account of a person resident in Sri Lanka as repayment of foreign currency loans obtained by such person (*i.e.*, borrower) from the account holder (*i.e.*, foreign lender) under a general or special approval granted under the provisions of the repealed Exchange Control Act or Foreign Exchange Act, No. 12 of 2017.

(g) Sri Lanka Rupees converted into foreign currency by a resident in Sri Lanka (*i.e.*, borrower) for repayment of foreign currency loans obtained from the account holder (*i.e.*, foreign lender) under a general or special approval granted under the provisions of the repealed Exchange Control Act or Foreign Exchange Act, No. 12 of 2017.

(h) Transfers from Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts of the same account holder.

(i) Transfers from an Inward Investment Account of another person (*i.e.*, buyer) in respect of sale of permitted investments to such buyer by the account holder where such investment has been made by the account holder through the same Inward Investment Account (including any subsequent shares devolving on the investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion).

(j) Transfers from Capital Transactions Rupee Account of the same account holder as permitted by Directions issued by the Central Bank.

(k) Transactions or Transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

(l) Interest earned on the funds held in the account.

(3) *Permitted Debits*

(a) Disbursements in Sri Lanka in Sri Lanka Rupees.

(b) Outward remittances in favor of the account holder.

(c) Transfers to Inward Investment Accounts, Personal Foreign Currency 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 persons resident outside Sri Lanka in terms of the permissions granted under the provisions of the Foreign Exchange Act, No. 12 of 2017.

(e) Disbursements relating to foreign currency loans to persons resident in Sri Lanka where such loans have been obtained in terms of a general or special approval granted under the provisions of the Foreign Exchange Act, No. 12 of 2017.

(f) Transfer of proceeds of foreign currency loans (including debt securities) to an Outward Investment Account of the borrower, where such loans have been obtained for the purpose of financing an overseas capital transaction (*i.e.*, an outward investment) permitted under the provisions of the Foreign Exchange Act, No.12 of 2017.

(g) Transfers to Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts of the same account holder.

(h) Transfers to an Inward Investment Account of another person (*i.e.*, seller) in respect of the purchase of any permitted investment from such seller by the account holder.

(i) Transactions or Transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

2. **Outward Investment Accounts (OIAs)**

(1) *Persons eligible to open an OIAs*

(a) Companies registered under the Companies Act, No. 07 of 2007 other than a company limited by guarantee.

(b) A partnership registered in Sri Lanka.

(c) An individual resident in Sri Lanka.

(2) A Non-Governmental Organization shall not be permitted to open and maintain an Outward Investment Account.

(3) Any person against whom or any company or partnership against which legal proceedings or investigations are pending in respect of a prosecution under the provisions of the repealed Exchange Control Act or Foreign Exchange Act, No.12 of 2017, shall not be permitted to make any outward remittance in respect of a permissible capital transaction without obtaining clearance for such remittance from the Central Bank.

(4) *Permitted Credits*

(a) Sri Lanka Rupee proceeds of the eligible resident investors converted into foreign currency, up to the investment requirement, to the extent such limits specified in terms of the regulations issued under the provisions of the Foreign Exchange Act, No.12 of 2017.

(b) Transfers from Business Foreign Currency Account of the account holder.

(c) Proceeds of a loan (including the issue of debt securities) obtained from a foreign source through an Inward Investment Account of the lender, in order to finance an overseas capital transaction (*i.e.*, an outward investment) permitted in terms of the provisions of the Foreign Exchange Act, No.12 of 2017.

(d) Remittances as dividends, proceeds on sale, maturity capital gains and liquidation proceeds, capital reductions receivable of shares, sovereign bonds, units, debt, securities, profits, margings and surplus funds, management fees, consultancy fees and commissions or any other related receipts etc. (including any subsequent shares devolving on the investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion), received in respect of capital transactions undertaken outside Sri Lanka by persons resident in Sri Lanka as permitted under the provisions of the Foreign Exchange Act, No.12 of 2017 or the repealed Exchange Control Act, where such capital transactions have been made through the same Outward Investment Account.

(e) Transactions or Transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

(f) Interest earned on the funds held in the account.

(5) *Permitted Debits*

(a) Payments (including setting up and maintenance cost, bank charges, broker fees, commissions or any other related payment etc.,) relating to capital transactions (*i.e*., outward investments) undertaken by the account holder in terms of the permissions granted under the provisions of the Foreign Exchange Act, No. 12 of 2017.

(b) Payments in foreign currency outside Sri Lanka for current transactions of the account holder.

(c) Transfers to Personal Foreign Currency Accounts and Business Foreign Currency Accounts of the account holder as capital and capital gains received from an overseas capital transaction (*i.e.*, outward investment) into an Outward Investment Account, where the investment had been made by debiting such Personal Foreign Currency Accounts or Business Foreign Currency Accounts.

(d) Transactions Transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

(e) Withdrawals in Sri Lanka Rupees.

3. **Capital Transactions Rupee Accounts (CTRAs)**

(1) *Persons eligible to open* CTRAs)

(a) An individual Sri Lankan, permanently residing outside Sri Lanka.

(b) A Non-National of Sri Lankan origin, who is a resident outside Sri Lanka.

(c) A Non- National resident outside Sri Lanka.

(d) A Sri Lankan dual citizen.

(e) Foreign firms and companies registered outside Sri Lanka.

(f) A Sri Lankan national, resident outside Sri Lanka.

(2) *Permitted Credits*

(a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.

(b) Where the account holder is an individual emigrant of Sri Lanka, a non- national resident outside Sri Lanka or a Sri Lankan dual citizen; local income including sale proceeds of movable and immovable property and tangible/intangible assets, which are derived in Sri Lanka.

(c) Transactions or Transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

(d) Interest earned in Sri Lanka Rupees on the funds held in the account.

(3) *Permitted Debits*

(a) Remittance of migration allowance up to USD 200,000 per individual in respect of a Sri Lankan emigrant, as per the directions issued by the Central Bank.

(b) Remittance of an allowance of USD 30,000 per annum in respect of an eligible Sri Lankan emigrant in addition to sub paragraph (3)(a) of paragraph 4, as per the directions issued by the Central Bank.

(c) Remittance of USD 30,000 per annum for capital transactions in respect of foreign nationals as per the directions issued by the Central Bank.

(d) Where the account holder is an individual emigrant of Sri Lanka, a Non- National resident outside Sri Lanka or a Sri Lankan dual citizen, transfer of eligible migration allowance to a Personal Foreign Currency Account or an Inward Investment Account of the account holder, as per the directions issued by the Central Bank.

(e) Disbursements in Sri Lanka in Sri Lanka Rupees.

(f) Transaction or Transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

4. **Diplomatic Foreign Currency Accounts (DFAs)**

(1) *Persons eligible to open DFAs*

(a) A foreign citizen who holds a diplomatic passport, diplomatic identity card issued by the Ministry of the Minister assigned subject of Foreign Affairs and has been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

(b) A foreign citizen who holds a non-diplomatic passport and has been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

(2) Permitted Credits

(a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.

(b) Foreign currency brought into Sri Lanka by the account holder on declaration to Customs Department.

(c) Transfers from Inward Investment Accounts and accounts maintained in the Offshore Banking Units of the same account holder.

(d) Transfers from Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts, irrespective of the account holder.

(e) Transactions or Transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

(f) Interest earned in foreign currency on the funds held in the account.

(3) *Permitted Debits*

(a) Any outward remittances made outside Sri Lanka.

(b) Withdrawal in foreign currency or in Sri Lanka Rupees for local expenses of the account holder.

(c) Transfers to Inward Investment Accounts and accounts maintained in the Offshore Banking Unit of the same account holder.

(d) Transfers to Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts, irrespective of the account holder.

(e) Transfers to Personal Foreign Currency Accounts of any other person.

(f) Transactions or Transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

5. **Diplomatic Rupee Accounts (DRAs)**

(1) *Persons eligible to open DRAs*

(a) A foreign citizen who holds a diplomatic passport, a diplomatic identity card issued by the Ministry of the Minister assigned the subject of Foreign Affairs and has been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

(b) A foreign citizen who holds a non-diplomatic passport and has been exempted from the requirement of obtaining resident visa issued by the Department of Immigration and Emigration.

(2) *Permitted Credits*

(a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.

(b) Refunds, reimbursements and 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 by the account holder.

(d) Transfers from Inward Investment Account of the same account holder.

(e) Transfers from Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts, irrespective of the account holder.

(f) Transactions or Transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

(g) Interest earned in Sri Lanka Rupees on the funds held in the account.

(3) *Permitted Debits*

(a) Disbursements in Sri Lanka in Sri Lanka Rupees.

(b) Outward remittances of visa fees, refunds, reimbursements and sale proceeds of motor vehicles owned by the account holder.

(c) Transfers to Inward Investment Accounts of the same account holder.

(d) Transfers to Diplomatic Foreign Currency Accounts and Diplomatic Rupee Accounts, irrespective of the account holder.

(e) Any other transaction approved by the relevant line Ministry.

(f) Transactions or Transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

6. **For the purpose of this Schedule-**

"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

L.D. B 10/2017

FOREIGN EXCHANGE ACT, No. 12 OF 2017

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

RANIL WICKREMESINGHE,
Minister of National Policies and Economic Affairs.

Colombo,
17th November, 2017.

Regulations

1. These regulations may be cited as Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts) Regulations No. 3 of 2017 and shall come into operation on the date on which the Act comes into operation.

PART I

AUTHORITY TO OPEN ACCOUNTS

2. An authorized dealer or a restricted dealer to the extent specified in his permit shall have the authority to open and maintain foreign exchange accounts in the name of any person.

PART II

TYPES OF ACCOUNTS

3. (1) Following types of accounts may be opened and maintained, by an authorized dealer or a restricted dealer under regulation 2-

(a) Personal Foreign Currency Accounts (PFCAs);

(b) Business Foreign Currency Accounts (BFCAs); or

(c) any other category of accounts that may be permitted to maintain, in terms of the directions issued by the Central Bank from time to time.

(2) In case of licensed commercial banks as authorized dealers, the accounts specified in paragraph (1) shall be opened and maintained in their domestic banking units.

4. Any account specified in regulation 3 shall be opened and maintained in any designated foreign currency specified in Schedule I to these regulations or any other currency as may be specified by the Central Bank from time to time.

5. (1) No person shall open an account specified in regulation 3 where such person is not eligible to open such an account as specified in Schedule II to the regulations.

(2) Every authorized dealer and restricted dealer shall exercise due diligence and reasonable care to ascertain persons seeking to open and maintain an account specified in regulation 3 is eligible to open and maintain such accounts under criteria specified in Schedule II. Information and documentary evidence relating to the account holders evidencing his eligibility during the maintenance of the account and a period of six years after the closure of an account shall be maintained by every authorized dealer and restricted dealer

(3) The criteria for eligibility to open each type of account specified in regulation 3, the permitted debit and credit limits for each type of such account shall be as specified in Schedule II to these regulations.

(4) Nothing in these regulations shall prevent the authorized dealers, restricted dealers or account holders from complying with the provisions of any other written law in relation to opening and maintenance of accounts.

PART III

RE-DESIGNATION OF EXISTING ACCOUNTS & C.

6. (1) All authorized dealers and restricted dealers shall re-designate -

(a) all existing Non-Resident Foreign Currency Accounts (NRFCs), Resident Foreign Currency Accounts (RFCs), Resident Non Nationals' Foreign Currency Accounts (RNNFCs) and Non-Resident Non-National Foreign Currency Accounts (NRNNFAs) opened and maintained under the provisions of the repealed Exchange Control Act (Chapter 423), as Personal Foreign Currency Accounts (PFCAs); and

(b) all existing Foreign Exchange Earners' Accounts (FEEAs), Inward Remittance Distribution Accounts (IRDAs) and Foreign Currency Account for Agents of Foreign Shipping Line or Air Lines (FCAASAs) as Business Foreign Currency Accounts (BFCAs),

by April 1, Two Thousand and Eighteen.

(2) All existing Resident Guest Foreign Currency Accounts and Senior Foreign Nationals Special Accounts shall continue to be in operation with effect from January 1, Two Thousand and Eighteen, without being re-designated.

(3) Personal Foreign Currency Accounts (PFCAs) and Business Foreign Currency Accounts (BFCAs) may be opened and maintained as Current (without cheque drawing facility), Savings or Term Deposit accounts in any designated foreign currency. Out of such accounts, Personal Foreign Currency Accounts, maintained by individuals may be held as sole or joint accounts with another eligible person.

7. For the purpose of these regulations-

"authorized 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;

"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;

"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;

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

SCHEDULE I

(Regulation 4)

DESIGNATED FOREIGN CURRENCIES

(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
(n) New Zealand Dollars.

SCHEDULE II

(Regulation 5)

ELIGIBILITY AND PERMITTED DEBIT AND CREDIT LIMITS OF ACCOUNTS

1. **Personal Foreign Currency Accounts (PFCAs)**

(1) *Persons eligible to open a PFCAs*

(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.

(d) A Non-national either on temporary visit to Sri Lanka or intending to visit Sri Lanka.

(e) An administrator or executor of the estates of a deceased person, who maintained a personal foreign currency account with that authorized dealer or restricted dealer until the completion of the administration of the deceased person's estate.

(2) *Permitted Credits*

(a) Remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system.

(b) Unutilized foreign currency obtained by the account holder by debiting the Personal Foreign Currency Account for travel purpose as permitted by directions issued by the Central Bank.

(c) Foreign currency brought into Sri Lanka by the account holder upon declaration [*i.e.*, where such foreign currency notes exceeds or equals to USD 15,000 or its equivalent in other foreign currency on a declaration to Customs Department or where such foreign currency notes are less than USD 15,000 or its equivalent in other foreign currency, on an appropriate declaration to the authorized dealer or restricted dealer].

(d) Transfers from Personal Foreign Currency Accounts, Business Foreign Currency Accounts or accounts maintained in the Offshore Banking Unit, irrespective of the account holder.

(e) Where the account holder is a resident outside Sri Lanka or a non-national resident in Sri Lanka transfers from an Inward Investment Account of the same account holder.

(f) Transfers from Capital Transactions Rupee Account of the same account holder as permitted by directions issued by the Central Bank.

(g) Transfers from Diplomatic Foreign Currency Accounts of any other person.

(h) Capital, capital gains and other receipts arising from investments made in Sri Lanka in foreign currency, if the original transfer had been made by debiting the Personal Foreign Currency Account [or from the Non-Resident Foreign Currency Account, Resident Foreign Currency Account or Resident Non-National Foreign Currency Account of the account holder prior to this order come into effect].

(i) Capital and capital gains received from foreign investments into an Outward Investment Account, if the original investment had been made by debiting the Non-Resident Foreign Currency Account, Resident Foreign Currency Account or Resident Non-National Foreign Currency Account of the account holder, prior to this order come into effect.

(j) Unutilized balance remaining in the Foreign Travel Card of the same account holder, up to the amount the Foreign Travel Card had been loaded from the Personal Foreign Currency Account.

(k) Where the account holder is a non-national employee resident in Sri Lanka, transfers from employers' Sri Lanka Rupee account as monthly salary, employment benefits and other related benefits.

(l) Where the account holder is a non-national employee resident in Sri Lanka, amounts in Sri Lanka Rupees authorized by the Central Bank for remittance abroad, converted at the rate of exchange obtained on the day of credit.

(m) Transaction or Transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

(n) Remittances originating outside Sri Lanka from the account holder in terms of section 8(3) of the Act.

(o) Interest earned in foreign currency on the funds held in the account.

(3) *Permitted Debits*

(a) Any outward remittances made outside Sri Lanka.

(b) Disbursements in Sri Lanka in Sri Lanka Rupees.

(c) Transfers to Personal Foreign Currency Accounts or accounts maintained in the Offshore Banking Units, irrespective of the account holder.

(d) Where the account holder is a resident outside Sri Lanka or a non-national resident in Sri Lanka transfers to an Inward Investment Account of the same account holder.

(e) Transfer of funds for uploading a Foreign Travel Card.

(f) Transfers in respect of any investment permitted to be made in Sri Lanka in foreign currency utilizing funds in the Personal Foreign Currency Account.

(g) Withdrawal in foreign currency notes up to USD 10,000 (or equivalent in any other foreign currency) for travel purpose as permitted by directions issued by the Central Bank.

(h) Where the account holder is a non-national resident outside Sri Lanka who is on temporary visit to Sri Lanka, withdrawals in foreign currency.

(i) Where the account holder is a non-national employee resident in Sri Lanka, transfers to Business Foreign Currency Accounts of the employer in respect of over payment of salaries and any other payment due to such employer.

(j) Transfers to employers' Sri Lanka Rupee account in the event of an over payment to a non-national employee resident in Sri Lanka, as per the sub paragraph (2) (k) of paragraph 1 of this Schedule.

(k) Payments to residents in foreign exchange in respect of transactions or categories of transactions, to the extent such transactions have been permitted by directions issued by the Central Bank.

(l) Transactions or Transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

2. **Business Foreign Currency Accounts (BFCAs)**

(1) *Persons eligible to open BFCAs*

(a) The following persons in, or resident in, Sri Lanka who earn foreign exchange:

(i) An individual resident in Sri Lanka.

(ii) A sole proprietorship or partnership registered in Sri Lanka where the proprietor or a majority of partners are resident 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) A person authorized to carry on business as a shipping agent or a general sales agent in Sri Lanka on behalf of a foreign shipping line or airline (foreign principal) with a valid license or authorization letter issued by the Director General of Merchant Shipping and Director General of Civil Aviation Authority of Sri Lanka, respectively.

(b) An administrator or executor of the estate of a deceased person, who maintained a Business Foreign Currency Account with that authorized dealer or restricted dealer, until the completion of the administration of the deceased persons' estate.

(c) A receiver or liquidator, in the name of a company that maintained a Business Foreign Currency Account with that authorized dealer or 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) *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, investments made outside Sri Lanka and goods supplied locally to a person resident outside Sri Lanka.

(b) Remittances received in foreign exchange through the banking system from the overseas employers with whom the account holder has an arrangement for the disbursement of wages and/or earnings of Sri Lankans who are rendering services to such overseas employer.

(c) Foreign currency in the form of travellers' cheques, bank drafts or currency notes 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.

(d) Where the account holder is a shipping agent or a general sales agent 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.

(e) Freight collected in foreign exchange by the account holder who is a shipping agent or a general sales agent in Sri Lanka on behalf of the foreign principal, by way of a remittance against a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit.

(f) Foreign currency brought into Sri Lanka by the account holder upon declaration [*i.e.*, where such foreign currency notes exceeds or equals to USD 15,000 or its equivalent in other foreign currency on a declaration to Customs Department or where such foreign currency notes are less than USD 15,000 or its equivalent in other foreign currency on an appropriate declaration to the authorized dealer or restricted dealer].

(g) Transfers from Business Foreign Currency Accounts or accounts maintained in the Offshore Banking Unit, irrespective of the account holder.

(h) Payments received in foreign exchange in favor of the account holder being consideration for goods or services supplied to a resident, to the extent such payments and receipts or categories of transactions have been permitted by directions issued by the Central Bank.

(i) Proceeds of foreign currency loans and advances obtained by the account holder from the domestic banking unit or Offshore Banking Unit of an authorized dealer or a restricted dealer, with the prior approval of the Central Bank

(j) Proceeds or any part thereof from sale of any foreign asset of the account holder, where the asset had been acquired by debiting the Business Foreign Currency Account.

(k) Capital, capital gains and other receipts arising from investments made in Sri Lanka in foreign currency, if the original transfer had been made by debiting the Business Foreign Currency Account (or from the Foreign Exchange Earners' Account of the account holder prior to this order come into effect).

(l) Capital and capital gains received from foreign investments into an Outward Investment Account, if the original investment had been made by debiting the Foreign Exchange Earners' Account of the account holder prior to this order come into effect.

(m) Unutilized foreign currency obtained by the account holder debiting the Business Foreign Currency Account as per sub Paragraph (4)(c) and (4)(d) of Paragraph 2 of this Schedule.

(n) Unutilized balance remaining in the Foreign Travel Card of the same account holder, up to the amount such Foreign Travel Card had been loaded from the Business Foreign Currency Account.

(o) Insurance premia received by the account holder on foreign currency denominated policies issued to eligible customers and co-insurers and claims received from re-insurers and National Insurance Trust Fund by Insurance companies registered with the Insurance Board of Sri Lanka.

(p) Transfers from Personal Foreign Currency Accounts of the non-national employee resident in Sri Lanka, being overpayments of salaries and any other benefits.

(q) Transaction or Transfers from any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by Directions issued by the Central Bank.

(r) Remittances originating outside Sri Lanka from the account holder in terms of Section 8(3) of the Act.

(s) Interest earned in foreign currency on the funds held in the account.

(4) *Permitted Debits*

(a) Any outward remittances made outside Sri Lanka.

(b) Disbursements in Sri Lanka in Sri Lanka Rupees.

(c) Withdrawal in foreign currency notes up to USD 10,000 (or equivalent in any other foreign currency) for travel purpose as permitted by directions issued by the Central Bank.

(d) Withdrawal in foreign currency notes up to USD 50,000 (or equivalent in any other foreign currency) at a time by gem and jewellery dealers for the purpose of purchasing cut and polished or rough gem stones and other raw materials abroad upon submission of confirmation obtained from the National Gem and Jewellery Authority.

(e) Where the account holder is a shipping agent or a general sales agent 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 authorized dealer or restricted dealer.

(f) Where the account holder is a shipping agent or a general sales agent in Sri Lanka, repatriation of the surplus funds to the foreign principal, provided that a confirmation in writing is obtained from the account

holder (*i.e.*, Agent) to the effect that adequate funds have been retained in the account, to meet all local liabilities of the foreign principal in Sri Lanka including tax payable to the Government and the agency commission.

(g) Transfers to Business Foreign Currency Accounts, Personal Foreign Currency Accounts or accounts maintained in the Offshore Banking Unit, irrespective of the account holder.

(h) Transfers to an Outward Investment Account of the same account holder.

(i) Transfers to an Inward Investment Account of a resident outside Sri Lanka for the purpose of repayment of a foreign currency loan obtained from such foreign lender by the account holder.

(j) Transfer of funds for uploading a Foreign Travel Card.

(k) Debt servicing expenses and repayment of foreign currency loans obtained by the account holder from authorized dealers or restricted dealers.

(l) Transfers in respect of any investment permitted to be made in Sri Lanka in foreign currency utilizing funds in the Business Foreign Currency Account.

(m) Payments of claims to eligible customers and co-insurers in respect of foreign currency denominated policies, premia to local or overseas re-insurers and National Insurance Trust Fund and brokerage by insurance companies registered with the Insurance Board of Sri Lanka.

(n) Payments to residents in foreign exchange in respect of transactions or categories of transactions, to the extent such transactions have been permitted by directions issued by the Central Bank.

(o) Transactions or Transfers to any other category of accounts that may be permitted to maintain by the Central Bank from time to time, to the extent such transactions or transfers have been permitted by directions issued by the Central Bank.

(5) Under no circumstances Sri Lanka Rupees shall be converted into foreign currency and be credited into a Business Foreign Currency Account.

3. **For the purpose of this Schedule-**

"National Gem and Jewellery Authority" means the National Gem and Jewellery Authority established under National Gem and Jewellery Authority Act, No. 50 of 1993;

"Civil Aviation Authority of Sri Lanka" means the Civil Aviation Authority established under the Civil Aviation Authority Act, No. 34 of 2002;

"Director General of Merchant Shipping" means the Director General of Merchant Shipping appointed under the Merchant Shipping Act, No. 52 of 1971;

"National Insurance Trust Fund" means the National Insurance Trust Fund established by the National Insurance Trist Fund Act, No. 28 of 2006;

L. D. B 10/2017

FOREIGN EXCHANGE ACT, No. 12 of 2017

Order under section 8

BY virtue of the powers vested in me by paragraphs (a) and (b) subsection (1) of Section 8 of the Foreign Exchange Act, No. 12 of 2017, I, RanilWickremesinghe, Minister of National Policies and Economic Affairs, do, by this Order, prescribe the purposes, limits terms and conditions as specified in the Schedule I 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;

(b) hold foreign exchange in his possession or in a bank account in Sri Lanka;

Orders made under the Exchange Control Act as repealed by the Foreign Exchange Act, No. 12 of 2017 and specified in the Schedule II hereto are hereby revoked.

RANIL WICKREMESINGHE,
Minister of National Policies and Economic Affairs.

Colombo,
17th November, 2017.

SCHEDULE I

PART I

PURPOSES, LIMITS, TERMS AND CONDITIONS FOR IMPORT AND EXPORT 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 Customs Department at the port of departure or arrival, respectively, if the total value of such foreign exchange exceeds United States Dollars 15,000 or its equivalent in other foreign currencies.

(2) However, where a person arriving in Sri Lanka intends to take back foreign currency notes exceedingUnited States Dollars 10,000 or its equivalent in other foreign currencies or departing from Sri Lanka carries foreign currency notes exceeding United States Dollars10,000 or its equivalent in other foreign currencies, such person is required to make a declaration to the Customs Department.

2. Any person in, or resident in, Sri Lanka may take out of, or bring into Sri Lanka, respectively, Sri Lanka currency up to the value of Sri Lanka Rupees 20,000.

3. Any authorized dealer may export from or import in to Sri Lanka, foreign currency which has been acquired in or for the normal course of their business and within the terms of his authorization.

4. For the purpose of this Part –

"authorized dealer" 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 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 United States Dollars 10,000 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 authorized dealer or a restricted dealer for travel abroad of such person and brought back as unutilized currencies 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 or a person in or, resident in Sri Lanka carrying on a permitted business to supply goods and services under duty free concessions to passengers arriving in or departing from Sri Lanka at the ports in Sri Lanka irrespective of the residential status of the passenger to whom such goods and services are provided.

(b) Such person shall not retain foreign currency so accepted, for a period exceeding 7 days from the date of acceptance, without depositing in a Business Foreign Currency Account in the name of the person who accepted such foreign currency or selling to an authorized dealer or to a restricted dealer, upon submitting evidence to such effect.

(3) Any person resident outside Sri Lanka may in Sri Lanka retain in his possession without limit foreign currency if such foreign currency was acquired by him whilst he was outside Sri Lanka or from Foreign Exchange Accounts maintained with authorized dealers or restricted dealers.

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

(1) Any person who obtains foreign currency from an authorized dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorized 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 into Sri Lanka Rupees.

(2) (a) Any person who obtains foreign currency from an authorized dealer or a restricted dealer for a purpose mentioned in an application made by him to the authorized dealer or restricted dealer 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 into Sri Lanka Rupees.

(b) However, a person who obtained foreign currency notes for travel purpose up to the value of United States Dollars10000 or its equivalent in other foreign currencies under sub paragraph (1)(a) of paragraph 1 shall be permitted to deposit into an existing foreign currency account maintained with an authorized dealer or restricted dealer.

(3) Any person who proceeds outside Sri Lanka for taking up employment, professional work or setting up a business, earns or receives foreign currency from such employment, profession or business and brings back 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 opened and/or maintained by such person in accordance with the provisions of the Foreign Exchange Act, No. 12 of 2017.

3. **For the purpose this Part -**

"authorized dealer"shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017; and
"restricted dealer" means any person, class or classes of persons not being an authorized dealer, permitted by the Central Bank of Sri Lanka to deal in foreign exchange under paragraph (a) of Subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017.

SCHEDULE II

Gazette No.	Date of issue	Purpose
1947/13	29.12.2015	Order under subsections (1) and (2) of section 17 of the Exchange Control Act (Chapter 423)as repealed by the Foreign Exchange Act, No. 12 of 2017
1947/15	29.12.2015	Order under section 6AB read with section 44 of the Exchange Control Act (Chapter 423)) as repealed by the Foreign Exchange Act, No. 12 of 2017
1686/50	01.01.2011	Order under subsections (1) and (2) of section 17 of the repealed Exchange Control Act (Chapter 423)) as repealed by the Foreign Exchange Act, No. 12 of 2017
1631/36	01.12.2009	Order under section 17 of the repealed Exchange Control Act (Chapter 423)) as repealed by the Foreign Exchange Act, No. 12 of 2017
1854/3	17.03.2014	Order under section 17 of the repealed Exchange Control Act (Chapter 423)) as repealed by the Foreign Exchange Act, No. 12 of 2017

L.D. B 10/2017

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, Ranil Wickremesinghe, Minister of National Policies and Economic Affairs do by this Order, determine that such persons as specified in the schedule hereto shall be residents in Sri Lanka for the purpose of the aforesaid Act.

Direction issued under the Exchange Control Act (Chapter 423) as repealed by the Foreign Exchange Act, No. 12 of 2017 and published in the *Gazette* Extraordinary No. 15007 of April 21, 1972 is hereby revoked.

RANIL WICKREMESINGHE,
Minister of National Policies and Economic Affairs.

Colombo,
17th November, 2017.

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 183 days or more in aggregate during the preceding 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 not more than 182 days in aggregate during the preceding 12 months.

   (b) who has proceeded outside Sri Lanka on a Student or equivalent Visa granted by another country.

3. (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 paragraph 3 (a) above;

   (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; serving abroad, except for those recruited abroad;

   (d) Any member of the family of any person treated as being resident in Sri Lanka under the paragraphs 3 (a) to 3 (c) above.

4. 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.

5. 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.

6. 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 the paragraphs 1 to 5, above.

7. 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.

8. Individuals who are citizens of Sri Lanka or of Sri Lankan origin who do not satisfy the conditions in paragraphs 1, 2, 3 or 7 above shall deemed to be residents in Sri Lanka only for the purpose of opening and maintaining Personal Foreign Currency Accounts subject to the regulations, orders and directions issued under the Act.

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