



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

DIRECTIONS No. 26 OF 2021 UNDER FOREIGN EXCHANGE ACT, No. 12 of 2017

Directions issued to Authorized Dealers on Special Foreign Currency Accounts (SFCAs) to facilitate Foreign Currency Denominated Investments on the Colombo Stock Exchange (CSE)

In terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/35 dated 03.02.2021, as amended by the Regulations published in the Gazette (Extraordinary) Notification No. 2235/22 dated 06.07.2021 (the regulations) and Section 9 read with Sections 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are permitted to open and maintain SFCAs to facilitate foreign currency denominated investments on the CSE, subject to the following.

2. Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, having listed shares/ debt securities denominated in any designated foreign currency on the CSE, as permitted by the regulations.

3. Opening and Maintaining the Accounts

- (a) The SFCA may be opened and maintained in the form of savings or term deposit accounts in any designated foreign currency in which shares or debt securities are listed on the CSE.
- (b) SFCA term deposit accounts may be opened only for the purpose of keeping it under lien for a Sri Lanka Rupee loan to be obtained by the account holder from an AD, in order to mitigate the foreign exchange risk.
- (c) Eligible persons shall open only one SFCA as permitted by these Directions in the banking system and shall be held as a sole account.

4. Permitted Credits

- (a) transfer of funds from an Inward Investment Account (IIA) of an eligible investor, being proceeds of listed shares denominated in any designated foreign currency on the CSE in terms of the regulations;



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- (b) transfer of funds from an IIA of an eligible investor, being proceeds of listed debt securities denominated in any designated foreign currency on the CSE in terms of the regulations;
- (c) remittances in foreign exchange received from outside Sri Lanka in favor of the account holder through the banking system, being any income or capital proceeds derived from the capital transactions made outside Sri Lanka in terms of the regulations;
- (d) transfer of earnings in foreign exchange from a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit of the account holder for the purposes referred to in Paragraph 5 (a) below; and
- (e) interest earned on the funds held in the account, in foreign currency.

5. Permitted Debits

- (a) transfers to an IIA of an eligible investor being payments of any income or maturity proceeds attributed to investments made in listed shares or listed debt securities denominated in any designated foreign currency on the CSE by the holder of IIA, as permitted under the regulations;
- (b) outward remittances in respect of current transactions of the account holder;
- (c) outward remittances in respect of capital transactions of the account holder being funds derived in terms of Paragraphs 4 (a) and 4 (c) above, excluding the proceeds of debt securities, subject to such limits and conditions specified in the regulations; and
- (d) disbursements in Sri Lanka, in Sri Lanka Rupees.

6. Other Conditions

- (a) This SFCA shall not be overdrawn under any circumstances.
- (b) ADs shall obtain adequate documentary evidence including the authorization by the relevant authority/ies, as applicable, at the time of opening this SFCA to determine the applicant's eligibility.
- (c) ADs shall exercise all due diligence in exercising the transactions in foreign exchange through this SFCA in terms of the regulations and these Directions.



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- (d) ADs shall maintain documentary evidence (either in hard copy or electronic/ digital form) regarding the transactions made through this SFCA beyond any statutory record keeping requirements during the maintenance of the account.

7. Reporting Requirement

- (a) ADs shall submit a report as per the **Annex I** on a quarterly basis to the Director-Department of Foreign Exchange (D/DFE) on or before the 15th day of the following month by email to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from banks' books of accounts, as per the above reporting requirement.

8. Closure of the SFCA

- (a) ADs shall close the SFCA, in the event when shares or debt securities denominated in designated foreign currency issued by the account holder has been de-listed on the CSE and/ or account holder is no longer eligible to maintain the SFCA.
- (b) ADs shall inform such closure to the D/DFE via an email to dfem@cbsl.lk within one week from the date of the closure.

9. ADs shall require prior permission of the D/DFE, for any transaction or transfer to/ from this SFCA for any purpose which falls outside the purview of these Directions.

10. For the Purpose of these Directions

- (a) “**remittances**” shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.



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- (b) **“shares and debt securities”** shall have the same meaning in terms of the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, as amended.
- (c) **“current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- (d) **“capital transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- (e) **“designated foreign currency”** shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (Extraordinary) Notification No. 2213/38 dated 03.02.2021.
- (f) **“eligible investor”** shall means an eligible person to open and maintain Inward Investment Accounts as referred to in Paragraph 1. of Part VI of the Schedule to the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021, as amended.
11. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.

Addl. Director-Department of Foreign Exchange

30 July 2021

Reporting quarter and year:

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

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

Name of the Compliance Officer :

Signature :

Date :