

PRESS RELEASE

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CENTRAL BANK OF SRI LANKA

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Repatriation and Conversion of Export Proceeds and the Incentive Scheme to attract Higher Workers' Remittances

Recent rules issued by the Central Bank of Sri Lanka (CBSL) in respect of repatriation and conversion of export proceeds to Sri Lanka Rupees (LKR) have been misinterpreted by certain parties with vested interests. In particular, unfounded speculation has been mischievously spread that the CBSL rules require converting the entirety of **workers' remittances** forcibly into LKR upon the receipt of such foreign exchange funds by the Licensed Banks. Rules on conversion of export proceeds DO NOT apply to workers' remittances. Migrant workers who channel their earnings through Licensed Banks and other formal channels may hold such funds in foreign exchange at any commercial bank. Accordingly, it is NOT mandatory for Sri Lankans working abroad to convert their remittances into LKR. However, those who wish to convert those earnings into LKR would be eligible to do so while those who do so under the "Incentive Scheme on Inward Workers' Remittances" announced by the CBSL, would receive an additional incentive of Rs. 10.00 per US dollar until 31 January 2022.

Proceeds from "**services exports**" are foreign exchange earnings of resident Sri Lankans who provide tourism, professional services etc. to non-residents. These services exports would be subject to the rules on conversion of the residual export proceeds after adjusting for the permitted deductions. In this background, it would be clear that the recent rules in respect of repatriation and conversion of export proceeds into LKR are applicable only to "exporters of goods and services" from Sri Lanka, and that the new rules require exporters to convert only the residual balance of the export proceeds into LKR after deducting the permitted payments specified in the rules. In fact, such permitted payments cover outward remittances in respect of current transactions, withdrawal of foreign exchange as permitted, debt servicing expenses, purchases of goods and services, and investments in Sri Lanka Development Bonds (SLDBs). It must also be stated that similar repatriation and conversion rules for services export proceeds are applicable in other regional countries, including India, Bangladesh, Pakistan, and Thailand, as well.

The CBSL reiterates that it would continue to facilitate the enhancement of workers' remittances in collaboration with the Government by incentivising funds remitted through formal channels, as previously announced, while taking stern legal action against all persons (those remitting and receiving) who indulge in illegal fund transfers. Accordingly, the general public is requested to remain vigilant and not be misled by false information and promises.

Licensed Banks are also advised to strictly adhere to the rules stipulated by the CBSL with regard to the conversion of foreign exchange proceeds of customers, and apprise their customers about such rules, so as to avoid any misunderstanding.

For further details:

- Conversion of Exports Proceeds as per Gazette Extraordinary No. 2251/42
(<https://www.dfe.lk/web/images/rdevelopment/035fa8af3491e2f41c9e9756e69f2754-2251-42-E.pdf>)
- Frequently Asked Questions
(https://www.dfe.lk/web/images/downloads/other/Rules_No.5%20-FAQs.pdf)