



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

**DIRECTIONS No. 10 OF 2021 UNDER FOREIGN EXCHANGE ACT, No.12 of 2017**

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

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

**2. Purposes of granting Loans and Advances**

2.1 To utilize for any purpose in Sri Lanka.

2.2 To make payments in respect of current transactions of the immediate family members of the borrower who are residents in Sri Lanka.

3. Loans and advances shall be granted after assessing the credit risk, particularly considering the borrower’s ability to repay the loans and advances in foreign currency.

4. Proceeds of the loans and advances denominated in foreign currency or in Sri Lanka Rupees, shall be disbursed in Sri Lanka Rupees to the credit of a ‘**PFCA Loan Account**’ (PLA) except in the event where borrower requests AD to transfer such loan proceeds to a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit (OBU) of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.

5. PLA shall be opened in the name of the borrower and shall be operated confined to the following credits and debits.

**5.1. Permitted Credits to PLA**

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



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in OBU of the borrower, for the purpose of service/ repayment of loans and advances.

**5.2. Permitted Debits to PLA**

- a. disbursement in Sri Lanka in Sri Lanka Rupees.
  - b. outward remittances in respect of current transactions of the immediate family members of the borrower who are residents in Sri Lanka.
  - c. repayment of loans and advances obtained under these Directions.
- 6.** Loans and advances shall be repaid in foreign currency through inward remittances or by utilizing funds available in the PFCAs or any other foreign currency account of the borrower, as long as said borrower is employed abroad.
- 7.** In the event where borrower discontinued or ceased his/her overseas employment and becomes a resident in Sri Lanka, any outstanding loan/ advance balance (including loans /advances denominated in foreign currency which required to be converted in to a Sri Lanka Rupee loan/ advance) may be serviced in Sri Lanka Rupees; subject to verifying necessary documentary evidence regard to cessation of employment of such borrower. However, entire balances available in the PFCAs or any other foreign currency accounts of the borrower shall be fully utilized prior to servicing the loans and advances in Sri Lanka Rupees.
- 8.** These loans and advances may also be granted to Sri Lankans employed abroad, jointly with an immediate family member who is a person resident in Sri Lanka, where the mortgaged property is owned by such person resident in Sri Lanka, under the normal banking procedure. However, such loans and advances shall be serviced by the Sri Lankans employed abroad subject to terms and conditions in these Directions.



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**9. Recovery of Loans and Advances**

- 9.1. ADs shall carry out recovery of loans and advances in Sri Lanka Rupees, as a last resort where necessary, when recovery of such loans and advances in foreign currency is remote. In this regard ADs shall;
- a. require converting the foreign currency denominated loans and advances into Sri Lanka Rupee denominated loans and advances.
  - b. satisfy and required to maintain necessary documentary evidence to the effect that borrowers do not receive sufficient foreign exchange from his/ her employment in overseas or have foreign currency assets including balances in the foreign currency accounts to service the loans and advances/ installments thereof, full on time, as agreed in the respective loan agreements.

**10. Other Conditions**

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



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**11. For the purposes of these Directions**

- (a) **“Immediate family member”** shall mean spouse, children and parents;
- (b) **“Current transactions”** shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (c) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes.

**12.** Directions No. 10 of 2017 dated 20 November 2017 and Directions No. 05 of 2020 dated 16 April 2020 issued to ADs specifying requirements related to granting of loans and advances to Sri Lankans employed abroad, are hereby rescinded.

**13.** The revocation of previous Directions referred to in Paragraph 12. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

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

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

**Director-Department of Foreign Exchange**

**18 March 2021**

**Monthly Statement of Loans and Advances to Sri Lankans Employed Abroad**

Name of the Bank: .....

Reporting Month &amp; Year: .....

**Table 1: Loans and Advances - Performing**

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

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

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

**Table 2: Recovery of Loans and Advances**

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

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

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

Name &amp; Designation of the Authorized Officer :.....

Signature &amp; Seal :.....

Date :.....

Name of the Compliance Officer :.....

Signature:.....

Date:.....