



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

**DIRECTIONS No. 02 OF 2021 UNDER FOREIGN EXCHANGE ACT, No.12 of 2017**

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**Directions issued to Authorized Dealers on Current Transactions**

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

1. An AD may deal in foreign exchange for current transactions as defined in Section 33 of the FEA, as a principal or as an intermediary, to the extent specified in its respective authorization in terms of Section 4 of the FEA.
2. A person in, or resident in, Sri Lanka may engage in current transactions of such person (including those of his/her spouse, children, or parents, where such person is an individual) involving conversion of Sri Lanka Rupees into foreign exchange or vice versa or in foreign currency.
3. ADs shall release foreign exchange for current transactions upon satisfying themselves with bona-fide and verification of the requests as required by Section 6 (3) of the FEA. An indicative list which provides examples for certain types of current transactions is given in **Schedule I** to these Directions. However, it is not an exhaustive list of current transactions.
4. In assessing the bona-fide and carrying out verification, ADs shall take into account documentary evidence or any other available information relating to the nature of the transaction and beneficiary of the remittance.
5. A guideline to dealing in foreign exchange on current transactions is given in **Schedule II** to these Directions. These transactions cover both payments (outflows) and receipts (inflows) and outward/ inward remittance for any type of current transactions are permitted.
6. ADs shall retain any information or documentation (electronically or in document form) relating to the basis on which each current transaction is undertaken for a period of six years or up to the statutory record keeping period whichever is longer, for verification by the Central Bank.
7. An AD may refuse to deal in foreign exchange for a current transaction for reasons set out in Sections 6 (4) of the FEA subject to complying with Section 6 (5) of the FEA.



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**8. For the purposes of these Directions;**

- (a) **“Electronic Fund Transfer Card”** shall mean, a card or a device that enables the user to transfer value in credit, debit or any other form and includes credit cards, debit cards and stored value cards where transaction details could be identified by the ADs for the purposes of being compliant with the Directions issued under FEA in respect of Electronic Fund Transfer Cards;
- (b) **“Emigrant”** means an emigrant as specified in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 03 of 2021;
- (c) **“Immediate family members”** shall mean, spouse, parents and children;
- (d) **“Remittances”** shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/houses in foreign currency from abroad, other than currency notes;
- (e) **“Foreign exchange and Foreign currency”** shall have the same interpretation in terms of the Section 33 of the Foreign Exchange Act, No. 12 of 2017;
- (f) **“Deal in foreign Exchange”** shall have the same interpretation in terms of the Section 33 of the Foreign Exchange Act, No. 12 of 2017.

**9.** Directions No. 01 of 2017 dated 20 November 2017 and Directions No. 01 of 2020 dated 19 March 2020 issued to ADs in respect of Current transactions are hereby rescinded.

**10.** The revocation of previous Directions referred to in Paragraph 9. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.

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

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

**Director-Department of Foreign Exchange**

**18 March 2021**



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**Schedule I to the Directions No. 02 of 2021**

**An Indicative list of Current Transactions**

**1. Foreign trade, other current business, including services and banking and credit facilities**

**1.1 Foreign Trade**

**1.1.1 Import of Goods into Sri Lanka and Export of Goods from Sri Lanka**

1.1.1.1 General merchandise, which includes movable goods.

1.1.1.2 Export or import of goods for repairs or processing.

1.1.1.3 Goods procured in ports by carriers, such as fuels, provisions, stores and supplies.

**1.1.2 Entrepot Trade**

1.1.2.1 Goods imported and stored in a Customs bonded warehouse or in a designated bonded area until re-exported to a third country.

1.1.2.2 Re-packing/re-labelling/simple processing of goods imported carried out in a Customs bonded warehouse or in a designated bonded area before exporting to a third country.

1.1.2.3 Offshore business where goods exports directly from one country to another country (i.e., where goods procured from or manufactured in one country and shipped to other country) without goods physically arriving in Sri Lanka.

1.1.2.4 Transfers from a ship or aircraft to another within a port in Sri Lanka without cargo taken into a Customs bonded warehouse or in a designated bonded area.

**1.2 Other Current Businesses, including Services**

**1.2.1** Manufacturing services on physical inputs owned by others (processing services) which include processing, assembly, labeling and packing.

**1.2.2** Maintenance and repair services which include repairs and maintenance on ships, air crafts and other transport equipment.



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- 1.2.3 Transportation services which include services involving carriage of passengers, movement of goods (freight) and related supporting services including postal, courier, cargo handling and storage services.
- 1.2.4 Travel related to business, education, health, holiday, pilgrimage, seminars, sports, conferences, cultural activities, visits etc. including travel services arranged through travel agents, tour operators or other service providers.
- 1.2.5 Construction services including procurement of goods and services within or outside Sri Lanka related to such construction work thereof.
- 1.2.6 Communication services which include postal, courier, radio and telecommunication services.
- 1.2.7 Insurance, re-insurance, assurance services and other related services (other than life insurance) subject to the local/ international regulations relating to insurance.
- 1.2.8 Financial services that cover financial intermediation and auxiliary services including commissions and fees for letters of credit/lines of credit/foreign exchange transactions /consumer and business credit services/ brokerage services/factoring services/ underwriting services/arrangements of hedging instruments/financial market operational and regulatory services/ security custody services, payment clearing charges, credit rating fees, trust fees and other intermediary service fees.
- 1.2.9 Telecommunication, computer and information services which include broadcasting and transmission services, business network services, computer hardware and software services, system maintenance and other support services (installation, repair, related licenses to use etc.), design and programming, warranty claims, renewal fees and data processing or web hosting services.
- 1.2.10 Royalties and other business-related fees which include license fees, franchise fees, management fees, product support service fees, entrance fees termination fees and cancellation charges.
- 1.2.11 Charges for the use of intellectual proprietary rights such as patents, trademarks, copy rights, industrial processes, designs including trade secrets, franchises, brand names, exclusive rights for title sponsorships media licenses and other transferrable contracts.
- 1.2.12 Other business services, which include research and development services, professional and management consultancy services, technical, architectural, and



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engineering services and other trade related services (including commissions, merchanting (entrepot), vessel operations by local shipping companies in the international waters and disbursement of foreign crew wages thereof, procurement of provisions, related statutory payments, rentals for charter of ships, aircraft or containers).

**1.2.13** Operating leasing (rental) services where such lease rentals limited to not more than twelve months of such lease rentals in any calendar year.

**1.2.14** Personal, cultural, and recreational services including audiovisual and related services.

**1.2.15** Fees and charges which include membership subscriptions, registration and participation fees in global conferences/seminars/courses, university/examination fees, honorarium payments, coordination charges, commitment fees, charges for international publications.

**1.2.16** Other services which include all services between Governments, International and regional Organizations and public and private Institutions, such as embassy expenses, visa fees, skills or credential assessment fees, medical examination fees and processing fees on visa registration of documents and other related fees.

**1.2.17** Other current businesses which include the following:

1.2.17.1 Refundable deposits or securities to be placed in advance by residents in Sri Lanka in favor of residents outside Sri Lanka or vice-versa, with respect to an underlying current transaction.

1.2.17.2 Refund of payments to residents outside Sri Lanka (received as inward remittances with respect to an underlying current transaction) upon cancellation of the respective business, service agreements or contracts between the parties.

1.2.17.3 Release of retention money to foreign contractors upon completion of projects or contracts in Sri Lanka, which are undertaken in respect of resident employer companies/ institutions.

1.2.17.4 Remittance of funds by;

1.2.17.4.1 Shipping, Airline Agencies and Freight Forwarders in Sri Lanka as freight and passage collections in Sri Lanka Rupees, to the respective



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foreign principals with whom such service providers have agency agreements.

1.2.17.4.2 Visa service/ processing centers (which are not diplomatic missions) as collections of visa fees in Sri Lanka Rupees or in foreign exchange, to the Foreign affairs Ministries, Foreign embassies, or foreign agencies in overseas with whom such service provider has valid agreements.

1.2.17.4.3 Educational/ Training Institutions registered in Sri Lanka as collections of examination or registration fees of local students in Sri Lanka Rupees or in foreign exchange, as may be applicable, to the foreign universities/ institutes /colleges with whom such Educational Institutions have valid agreements.

1.2.17.4.4 Overseas company registered under the Companies Act, No. 07 of 2007 (as amended), as reimbursement of expenses/ refund of funds in respect of Overseas company operations in Sri Lanka, to the parent company in overseas.

1.2.17.4.5 Companies incorporated in Sri Lanka affiliated to Multinational Companies (MNCs), as intercompany charges (in respect of an underlying current transaction), to such MNCs.

1.2.17.4.6 Resident project companies to the respective donor/ funding agencies in overseas, being unspent or unutilized portion of the funds received as inward remittances, in respect of donor funded projects undertaken in Sri Lanka, subject to other applicable laws of the country.

### **1.3 Banking and Credit facilities**

#### **1.3.1 Letters of Credit (LCs)**

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



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are applicable to and binding on the AD such laws and regulations shall prevail to the extent of such inconsistency.

**1.3.2 *Interest payments on foreign supplier credit facilities***

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

**2. Interest on Loans and Net Income from Other Investments**

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

**2.1.1** Investment income derived from permitted investments made in or outside Sri Lanka.

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

**2.1.2** Payment of loan interest, commitment fees, loan administration and other related fees and charges in respect of loans permitted under the provisions of the FEA or the repealed Exchange Control Act, which shall be routed through an IIA or External Commercial Borrowing Account, as may be applicable.

**3. Payments for amortization of Loans**

**3.1** Payments falling due in respect of loan agreements where the amounts and timing of repayment of capital and interest payments are in accordance with the terms and conditions of loans permitted under the provisions of the FEA or the repealed Exchange Control Act.



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**4. Remittances for family living expenses and compensation of employees**

**4.1 *Family Living expenses***

**4.1.1** Inward remittances, by citizens of Sri Lanka working abroad.

**4.1.2** Remittances of funds for maintenance of families or dependents (parents, spouse, children) living abroad excluding for emigrants.

**4.1.3** Remittances of funds by emigrants for maintenance of families or dependents (parents, spouse, children) living abroad, subject to the Regulations and Directions issued under FEA applicable for Capital Transaction Rupee Accounts (CTRAs).

**4.2 *Compensation to Expatriate employees***

**4.2.1** Remittances to expatriate employees (irrespective of the nationality) which include wages, salaries, allowances and other employment benefits including pension or provident fund contributions and reimbursement of living and employment related expenses paid by the employers or sale proceeds of Motor Vehicles acquired by such expatriate while being employed in Sri Lanka.

**4.2.2** Remittances as payments or reimbursement of accumulated salaries, employment, or other related benefits of former or current expatriate employees directly to expatriates' account in overseas or to designated International Pension funds/ schemes or to Parent Companies in overseas.

**5. Miscellaneous Current Transfers**

**5.1** Government transfers relating to gifts of food, clothing and other consumer goods, medical supplies, payments for technical assistance staff, associated with relief efforts.

**5.2** Fines, penalties, charges and claims imposed by courts of law and other Government or Institutional regulatory bodies on non-compliances or violations and payments of compensations, compulsory payments awarded, or settlements related to liquidation/ arbitration or other disputes agreed at the Courts of law.

**5.3** Current payment of taxes including refunds of taxes subject to the local/ international laws and regulations applicable for taxes.





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**Schedule II to the Directions No. 02 of 2021**

**Guideline to dealing in foreign exchange for Current Transactions**

**(1) Trade Payments**

**1.1. Merchandise Exports**

**1.1.1. General Policy**

- 1.1.1.1. Payments for merchandise exports which generate foreign exchange earnings to the country are permitted, subject to the trade policy of the Government.
- 1.1.1.2. Export proceeds shall be credited to any Sri Lanka Rupee account or to a Business Foreign Currency Account opened and maintained by the exporter with an AD.

**1.1.2. Commissions and Claims**

- 1.1.2.1. Remittances of commissions to agents abroad with respect to merchandise exports or business transactions secured by a resident in Sri Lanka where such export proceeds or inward remittances have been repatriated to Sri Lanka.
- 1.1.2.2. Remittances for claims to foreign buyers in respect of quality and quantity deficiencies of goods exported, where the export proceeds have been received in Sri Lanka.

- 1.1.3. **Return or cancellation of Inward remittances** - ADs may return or refund inward remittances received in Sri Lanka for merchandise exports and later recalled by the buyer/sender in overseas, where such export orders have not been completed or funds have been received in excess or unutilized.

**1.2. Merchandise Imports**

- 1.2.1. **General Policy** - Payments for imports of goods are permitted, subject to the trade policy of the Government.
- 1.2.2. **Import payments to designated third parties**- ADs shall release foreign exchange for payments by importers of goods to designated third parties in overseas, in respect of goods supplied by another foreign supplier (as per agreed sales contracts between buyers and sellers).



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**1.3. Entrepot Trade**

**1.3.1. General Policy**

1.3.1.1. Payments for importation of goods for re-export purposes under entrepot trade are permitted through the banking system other than through the Electronic Fund Transfer Cards, subject to the trade policy of the Government.

1.3.1.2. Payments for importation of goods under entrepot trade shall be less than the corresponding payment that would be received, ensuring a sufficient margin to the local trader (intermediary) to cover value-added costs, other local charges including bank charges, and profits.

**(2) Service Payments**

**2.1. General Policy** - Payments for services falling under current transactions are freely permitted.

**2.2. Return or cancellation of Inward Remittances** - ADs may return inward remittances received in Sri Lanka and later recalled by the sender, where funds have been received in excess or unutilized, etc.

**(3) General**

**3.1. Release of Foreign exchange for Travel purpose**

**3.1.1.** ADs may issue foreign currency notes as a part of travel allowance to persons resident in Sri Lanka who are travelling abroad for the purposes which include travel for leisure and holidays, sports, recreational and cultural activities, visits for relatives and friends, pilgrimage, business purposes, training, medical and for studying abroad (in the event of persons under student visas this allowance shall be supported by documentary evidence from relevant Educational Institutions or Foreign government authorities, as may be applicable), up to a maximum of USD 5,000 or its equivalent in other foreign currency, with an appropriate endorsement made on the passport issued by the Controller General of Immigration and Emigration of Sri Lanka (CGIM) where such person is a citizen of Sri Lanka.



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**3.1.2.** ADs may issue a reasonable amount of foreign exchange to the Sri Lankans who are Permanent Residents in another country or dual citizens where such persons are currently working or residing in Sri Lanka but travels to the country to which they have obtained Permanent Residency (PR) or citizenship being travel allowance up to a maximum of USD 5,000 or its equivalent in other foreign currency or issuing of a Foreign Travel Card, subject to the Regulations and Directions issued under FEA applicable for CTRAs.

**3.2. Release of foreign exchange to persons who intends to leave Sri Lanka under Temporary Resident (TR) visas**

ADs may issue a reasonable amount of foreign exchange to persons resident in Sri Lanka who intends to leave Sri Lanka under TR visas (other than a TR visa that entitles the individual to obtain PR or citizenship in that country at a future date), being basic allowance in terms of the Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021.

**3.3. Foreign Travel Cards**

**3.3.1.** ADs may issue Foreign Travel Cards (FTCs) to persons resident in Sri Lanka who are eligible to obtain travel allowance in foreign currency when leaving Sri Lanka for travelling abroad, upon appropriate endorsement on the passport issued by the CGIM, with regard to the issuance of FTC.

**3.3.2.** A FTC shall be issued by debiting any Sri Lanka Rupee account or a foreign currency account where permission has been granted to issue foreign exchange for travel purpose.

**3.3.3.** At the request of the holder of FTC (hereinafter referred to as the ‘holder’) or upon the lapse of 90 days from the date of return of the holder to Sri Lanka, whichever the date that comes first, the unutilized value remaining in FTC;

(a) may be withdrawn in Sri Lanka Rupees by the holder or credited to a Sri Lanka Rupee account of the holder; or



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(b) may be credited to a Personal Foreign Currency Account (PFCA) or a Business Foreign Currency Account (BFCA) or any other foreign currency account, if the FTC had been loaded by debiting such foreign currency account, up to the amount that had been debited.

**3.3.4.** An FTC shall not be reloaded if the holder is in overseas except in the event where such holder is a person resident in Sri Lanka who has proceeded outside Sri Lanka for studying abroad under student visas (i.e., student) which shall be subject to the Paragraph 3.3.5 below.

**3.3.5.** ADs may upload FTCs issued to students upon verifying *bona-fide* and obtaining necessary documentary evidence issued by the respective foreign universities /educational institutions or foreign government authorities, as may be applicable, with regard to the relevant living expenses of such students in overseas.

**3.4. Payment Cards**

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

**3.5. Remittances of funds in advance to obtain Student Visa**

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

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



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

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

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

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