




SRI LANKA BANKING GUIDE FOR INVESTORS & BOI COMPANIES





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- Inward Investment Accounts (IIA)
- Business Foreign Currency Accounts (BFCA)
- Foreign Currency Banking Unit Accounts (FCBU)
- Rupee Accounts (LKR)
- Advances/Borrowings (BLA/ECBA/SFCA)
- Corporate Products



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SRI LANKA **BANKING GUIDE FOR** **INVESTORS & BOI COMPANIES**

Presented by



Ministry of Investment Promotion
and



Board of Investment of Sri Lanka

In collaboration with:



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1 ECONOMIC OUTLOOK



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SRI LANKA: AN ECONOMY POSITIONED FOR TAKE-OFF



Located at the heart of the Indian Ocean, Sri Lanka is a land of potential. Having weathered a challenging few years, the country is now laying the foundations for shared economic growth and prosperity. The oldest democracy in South Asia, and the first South Asian economy to embrace open markets and free trade, Sri Lanka has historically strong institutions and takes pride in its conducive and welcoming business environment.

Sri Lanka's GDP is on the road to recovery, having suffered setbacks due to a rising debt burden and greater fiscal responsibility during the Covid-19 pandemic. The commencement of the IMF Extended Fund Facility signals a turning point for the economy, with a focus on fiscal and monetary responsibility that has already moved into implementation. Along with economic reforms, the country has prioritised increased transparency and a strong anti-corruption agenda. With asset prices and valuations at historic lows, the country offers exceptional opportunities for the discerning investor.

Sri Lanka's educated and skilled labour force drives growth. While Sri Lanka reaps the benefits of natural resources such as water, fertile soil, rainforests, and precious stones to name a few; the country's educated, skilled and driven workforce remains its greatest asset. A culture that values education and learning has resulted in Sri Lanka being home to the second largest pool of CIMA graduates and highest per capita of CFA graduates in South Asia. This hardworking, creative, and resilient human resource is also at the heart of Sri Lanka's rapidly expanding start up culture.

Sri Lanka has an export sector with a strong base in textile and garment manufacturing. Sri Lanka's manufacturing exports are currently dominated by the textile and garment industry, which was a source of stability through turbulent years. Sri Lanka has maintained an edge over regional competitors through constant innovation, and a focus on ethical and sustainable practices. Sri Lanka is also well positioned to diversify and further integrate into global value chains with the country's commitment to opening Free Trade Zones and the pool of skilled labour available domestically.

Strong inflows from remittances drive long term stability. In the recent past the Sri Lankan economy has had to face challenging economic circumstances from both local and global sources. Under these conditions it would have seemed unlikely that the country would return to a path of stability and prosperity in such a short window. However, strong remittance inflows that have historically been a driver of growth, were able to act as support in times of crisis and push the economy into recovery, and back onto a growth trajectory.

Tourism is projected to pick up post-pandemic. From pristine beaches to stunning rainforests, this growing economy is set to the backdrop of a natural landscape that has attracted travellers for centuries. Sri Lanka was ranked as the No. 1 travel destination by Lonely Planet in 2019, and is in the top 20 travel destinations by Conde Nast in 2022. Forbes has also ranked Sri Lanka among the top 23 places to visit in 2023, and ranks the country's wildlife safaris as the best outside of Africa. Tourism is set to be a key source of forex inflow and domestic growth in the coming years.



Sri Lanka's well-developed logistics network enhances business opportunity. Sri Lanka has both high levels of internal and external connectivity, with a well-developed road network supplemented by rail lines that span across the whole country. High levels of internal connectivity are complemented by strong external connectivity, with two major international airports in Colombo and Mattala, and key ports in Colombo, Galle, Trincomalee and Hambantota. Colombo has been recognised as the most efficient port in South Asia, and is ranked in the top 25 ports globally.

Colombo Port City provides a glimpse of Sri Lanka's future in the services sector. A service-oriented sustainable special economic zone with a dedicated financial district, the Colombo Port City is designed to provide investors with the opportunity to set up their businesses for success. The Port City will be a hub for business in the region, with connections to the Middle East, East Asia, Europe, and America. Increased ease of doing business and multiple investment models have been partnered with an exceptional quality of life, urban planning, and green space, providing investors with the best Sri Lanka has to offer.

A country of connectivity in an increasingly polarised world. Sri Lanka's unique position at the centre of the Indian Ocean, at the crossroads of global trade routes is strengthened by the country's history of strong trade and diplomatic ties across the globe. Sri Lanka has strong trade ties with the US and European markets, as the country's largest export destinations, bolstered by the Generalised Scheme of Preferences Plus (GSP+) agreement and the upcoming UK's Developing Countries Trading Scheme (DCTS). Sri Lanka's ties with India go beyond the Indo-Lanka FTA that provides 100% duty free market access to 80% of all tariff lines, providing critical access to what is now the largest market in the world. Through the Asia-Pacific Trade Agreement (APTA), Sri Lanka also has preferential access to China, building on millennia of shared history and friendship, as is well positioned to reap the benefits of China's growing economy.

Sri Lanka's strong tradition of sustainability and environmentalism has translated into a business sector that is ahead of the curve in openness to the implementation of sustainability and ESG best practices. Notably, the Global Reporting Initiative (GRI) is widely used in Sri Lanka, alongside a prioritisation of the Sustainable Development Goals (SDG) framework and the Sustainability Accounting Standards Board (SASD) framework.



SNAPSHOT OF KEY ECONOMIC INDICATORS

Sri Lanka's GDP is driven by the services and industrial sectors, which take advantage of the skilled workforce that Sri Lanka offers.

Figure 1

Composition of Sri Lanka's GDP

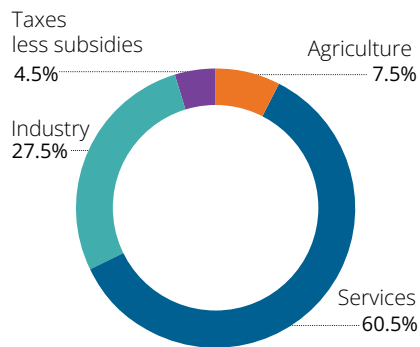


Figure 2

Sri Lanka's Labour Force Statistics

15.1%

of the population has completed a minimum of their G.C.E. Advanced Level Examination

2nd Largest

pool of **CIMA** graduates in the world



Highest Per Capita

CFA graduates in South Asia

Sources: Department of Census and Statistics, Central Bank of Sri Lanka, CFA Society Sri Lanka and Board of Investment.

As the first South Asian economy to open its doors to the world, Sri Lanka has a strong export base.

Figure 3

Export Composition 2022

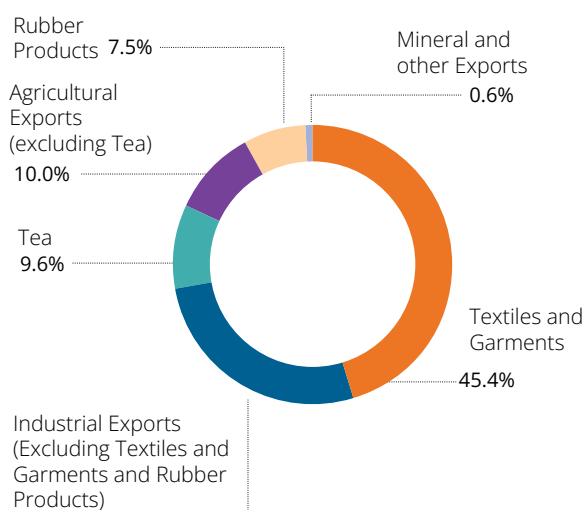
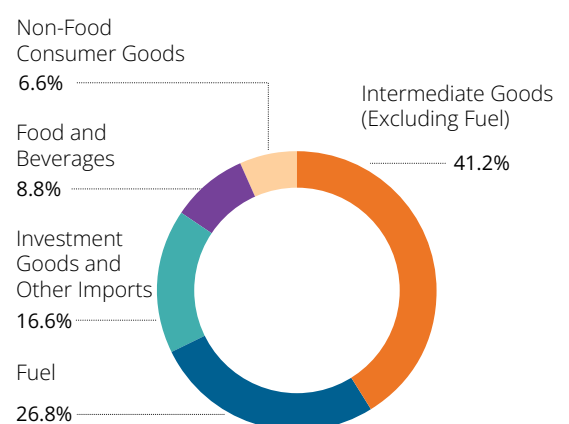


Figure 4

Import Composition 2022



Sources: Department of Census and Statistics, Central Bank of Sri Lanka, Board of Investment.

In an increasingly polarised world, Sri Lanka maintains strong trade ties across the globe.

Figure 5

Export Destinations 2022

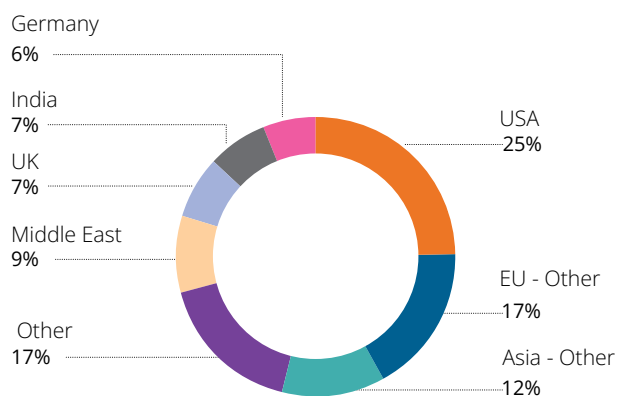
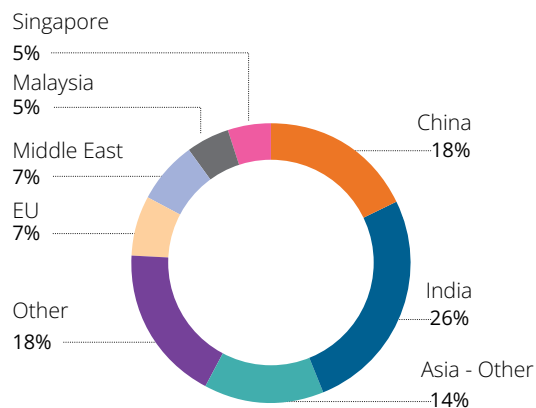


Figure 6

Import Origins 2022

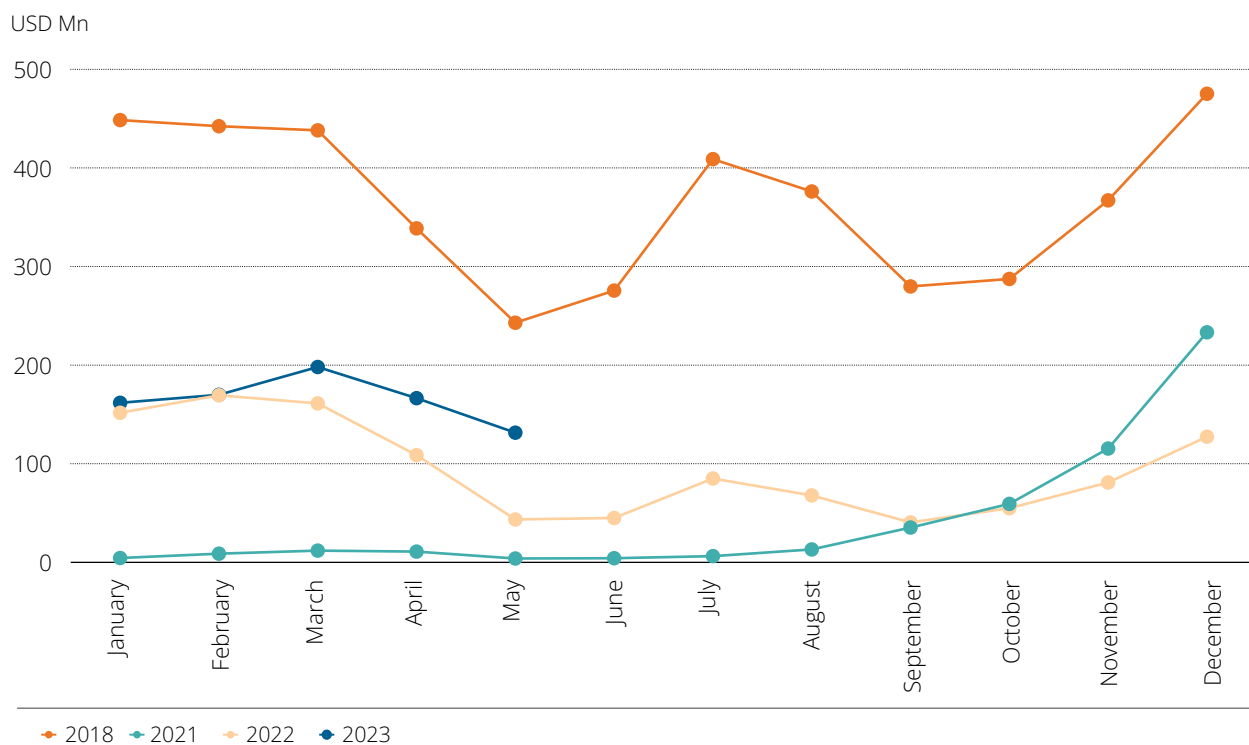


Sources: Central Bank of Sri Lanka

Sri Lanka's tourism sector is on the road to recovery, with earnings picking up in 2023.

Figure 7

Earnings from Tourism

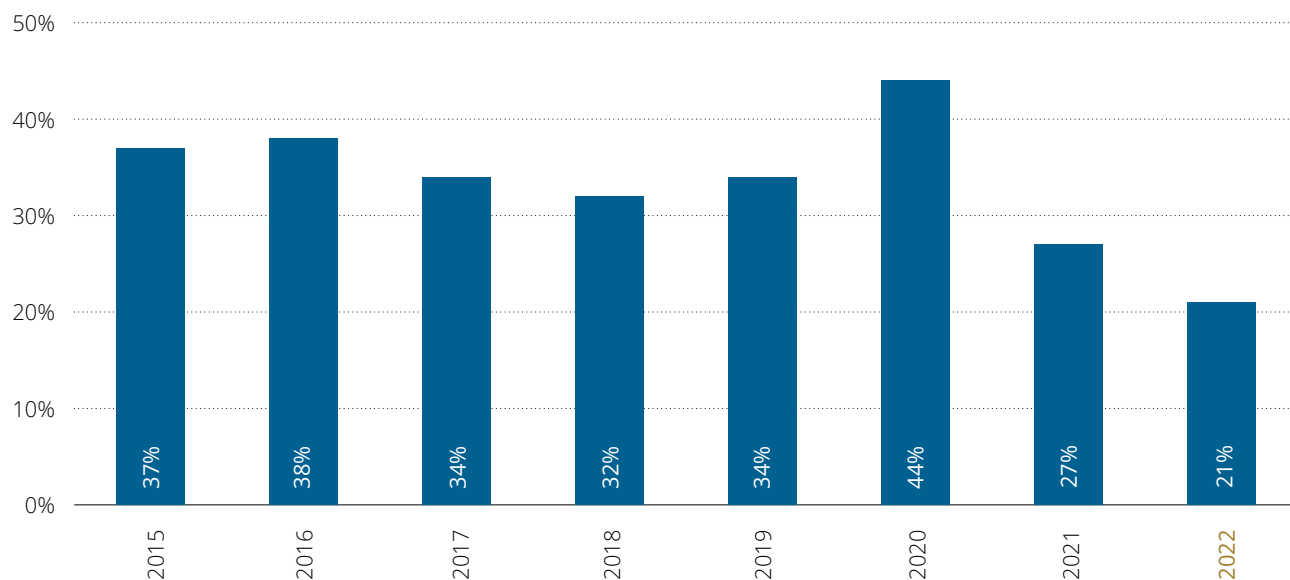


Sources: Central Bank of Sri Lanka

Sri Lanka benefits from strong remittance inflows, that played a crucial role in bolstering the economy in times of crisis, and accelerating its rate of recovery.

Figure 8

Remittances as a percentage of import expenditure

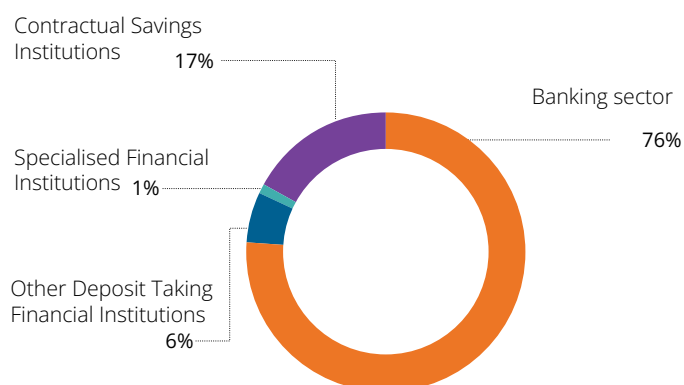


Sources: Central Bank of Sri Lanka

Sri Lanka's banking sector has continued to grow, while being a source of stability to the economy.

Figure 9

Total assets of the financial sector 2022



Sources: Central Bank of Sri Lanka

2 BANKING JOURNEY OF INVESTORS & BOI COMPANIES



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QUICK START GUIDE



The Central Bank of Sri Lanka (CBSL) through its Department of Foreign Exchange has issued Directions (Foreign Exchange Act, No. 12 of 2017) to Authorised Dealers (ADs) in Sri Lanka to create an efficient and orderly foreign exchange market that would be contributing to the economic prosperity of Sri Lanka. These comprehensive Directions are drafted to create a conducive and welcoming environment to invest, and have progressive business relationships from investors worldwide.

The digi savy Licensed Commercial Banks (LCBs) in Sri Lanka are ready to facilitate onboarding of Investors/BOI Companies as they embark on the journey of BOI approval process. This extends by possibility of meeting dedicated bank teams and opening accounts through virtual meetings, excluding the need to be physically present at bank premises. Blending with the economy's readiness to take off, a hassle free journey from initial investment to repatriation of profits/investments are guaranteed with well established systems and robust procedures.

An investor to Sri Lanka can be an individual or a corporate entity (foreign investor/company incorporated outside Sri Lanka etc.).

Yet an **enterprise** intending to operate in BOI, shall first incorporate a company, under the Companies Act No. 07 of 2007 of Sri Lanka *via* Registrar of Companies and then obtain approval from BOI by following the screening process and signing the BOI Agreement. Such BOI approval obtained companies, for reference in this banking guide will be mentioned as **BOI companies**.

The summarised version on types and characteristics of accounts available for investors and BOI Companies are given Table 1 & 2 for your easy reference since this banking guide is exclusively for the reference of **Investors** and **BOI Companies**. You can refer to the detailed description of each account type to identify the other eligible customer segments.

The main types of operative accounts for investors to channel investments and BOI Companies to operate are detailed in Table 1.

Operative Accounts

Table 1: Operative accounts available for Investors and BOI Companies

	Name of Account & Customer Category	Types of Accounts	Purpose
I	Inward Investment Account (IIA) Category - Investors	Foreign Currency/LKR a) Savings b) Current c) Fixed Deposits	Channelling inward remittances in respect of permitted capital transactions* in Sri Lanka by a non-resident investor and repatriation of any return of such investment (*Please refer Annexure II)
II	Business Foreign Currency Account (BFCA) Category - Foreign Currency Account for any BOI Company	Foreign Currency a) Savings b) Current c) Fixed Deposits	Foreign currency account for Persons**, Resident**, in Sri Lanka who earn foreign exchange from residents outside Sri Lanka (**Please refer Annexure IV) Can be used as the operative foreign currency account of BOI Companies
III	Foreign Currency Banking Unit Account (FCBU) Category - Specific BOI Companies only	Foreign Currency a) Savings b) Current c) Fixed Deposits	Operative foreign currency account for BOI Companies entered into agreement with BOI under Section 17, and approved to transact business with any off-shore unit subject to Banking (Off-shore Banking Scheme) Order 2000 published under the Banking Act, No. 30 of 1988 as amended
IV	Operative LKR Accounts for BOI companies Category - LKR Accounts for all BOI Companies	LKR a) Savings b) Current c) Fixed Deposits	Operative LKR (Local Currency Rupee) accounts including fixed deposits for investments

** All BOI Companies are considered as “residents” of Sri Lanka as per Foreign Exchange Act, No. 12 of 2017 (Refer Annexure IV) since a company incorporation shall be done as per Companies Act, No. 07 of 2007 prior to obtaining BOI approval.

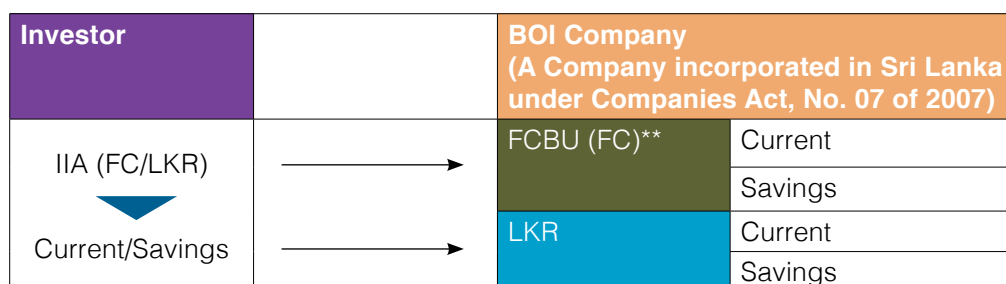
Borrowing Accounts

Table 2: Special accounts available for BOI Companies for borrowing purposes

	Name of Account & Category	Types of Accounts	Purpose
I	Accommodations to BFCA (BFCA Loan account - BLA) Category - To extend accommodations in foreign currency from Domestic Banking Units (DBUs) to BFCA	Designated Foreign currency a) Current	To utilise for any purpose in Sri Lanka or make payments on current transactions of BFCA holder
II	External Commercial Borrowings Account (ECBA) Category - Foreign Currency or LKR Account to receive loan proceeds from an overseas lender from an IIA/FCBU or from an account maintained outside Sri Lanka	Designated Foreign Currency or LKR a) Savings b) Fixed Deposits	Transfer the proceeds of loan obtained from an overseas lender for current transactions, disbursements in LKR or outward investments
III	Special Foreign Currency Account - Short Term Foreign Currency Loan from overseas (SFCA - Short Term Loans) Category - Foreign currency loans obtained for a tenure less than 3 years from a parent company or a company within the same group of companies incorporated outside Sri Lanka	Designated Foreign Currency a) Current b) Savings	Facilitate payments for import of raw materials for manufacturing of products
IV	Special Foreign Currency Account (SFCA-Investee) Category - Foreign Currency account for receiving investments into the share capital of the company (investee) through IIA of non - resident investors	Designated Foreign Currency a) Savings b) Current (without overdraft facility)	To meet future payments of current transactions payable in foreign currency and repayment of foreign currency loans or/and accommodations obtained under provisions of the FEA

Fund Flow between Investor and BOI Companies

Diagram 1: How to send funds from IIA of an Investor to a BOI Company



***From IIA of same account holder or if the BOI company is exempted from relevant provisions of the FEA on investments into Sri Lanka under BOI Law.*

Borrowings - Fund flow between AD/Investor/Lender and Investee (BOI Company)

BOI Companies have the following options to borrow funds either from a lender or an investor:

Diagram 2: How to send funds from an Investor/Lender to a BOI Company

Lender/Investor	Mode of Lending Account to be Debited	Account of BOI Company to be Credited
ADs in Sri Lanka (<i>Lender</i>)	Accommodations (Loans & advances)	BFCA Loan Account (BLA)
Overseas <i>Lender</i>	IIA/FCBU/Account maintained outside Sri Lanka	ECBA
Parent company or a company within the same group of companies (<i>Lender</i>)	IIA/FCBU/Account maintained outside Sri Lanka	SFCA - Short Term Loans
Non-resident <i>Investor</i>	IIA	SFCA - Investee

References

Companies Act, No. 07 of 2007. <https://www.drc.gov.lk/en/wp-content/uploads/2018/04/Act-7-of-2007-English.pdf>

Foreign Exchange Act, No. 12 of 2017. [PL 005162 \(E\) Foreign \(Cov\) Act, No. 12 of 2017.pmd \(cbsl.gov.lk\)](#)

3 CHANNELLING INVESTMENTS: OPERATIVE ACCOUNTS FOR INVESTORS



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3 INWARD INVESTMENT ACCOUNTS (IIA)



IIA is an account introduced for channelling inward remittances in respect of permitted capital transactions by eligible persons (Investors) and repatriate proceeds of such investments.

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 (the regulations) and Section 9 read with Section 6 and 7 of the FEA, ADs are permitted to open and maintain Inward Investment Accounts (IIAs) in the Domestic Banking Units subject to the Directions No. 15 of 2021 issued under the provisions of FEA.

3.1 Eligibility

- I. A non-national resident in or outside Sri Lanka.
- II. A Sri Lankan dual citizen, resident in or outside Sri Lanka.
- III. Sri Lankan national who has obtained Permanent Residency status or citizenship in another country, resident in or outside Sri Lanka.
- IV. Sri Lankan citizen employed abroad, resident outside Sri Lanka (excluding emigrants).
- V. A Company incorporated outside Sri Lanka.
- VI. A Partnership registered outside Sri Lanka.
- VII. Country funds, Regional Funds, Mutual Funds, Unit Trusts, Foreign Institutional Investors (FII) established outside Sri Lanka.
- VIII. An administrator or executor of the estate of a deceased person, who maintained an IIA with an AD.
- IX. A receiver or liquidator of a company that maintained an IIA with an AD.

3.2 Snapshot of IIA

Table 3: Snapshot of IIA

	Description	Details
I	Place to Open	Domestic Business Units (Branches of Banks)
II	Types of Accounts	Savings, Current (without overdraft facility), Fixed Deposits
III	Currency	Any designated foreign currency or LKR
IV	Account Ownership	Sole or jointly with an immediate family member if eligible investor is in the categories I, II or III in section 3.1
V	Debit Card	Yes. Subject to permitted eligible category & limits. (Subject to internal controls of the Bank)
VI	Internet Banking	Yes. Permit inquiries and local disbursements only (Subject to internal controls of the Bank)
VII	Effect Transactions on Investments	Manual transfers subject to Transaction Due Diligence (TDD). Proof required for Capital Transactions
VIII	Statements	Printed/e-statements as per Bank's digital adoption
IX	Withholding Tax on Interest	As per applicable regulations of Department of Inland Revenue
X	Tax Clearance on Outward Remittances	As per applicable regulations of Department of Inland Revenue

3.3 Documents Required

- I. Duly completed appropriate accounts opening applications of the bank including Know Your Customer (KYC) verification information.
- II. Documents required as per applicable category of investor (Refer Table 4).

Individual Investor/Corporate Investor will be onboarded based on the internal procedures of the bank.

Table 4: Documents required to open an IIA

	Information	Documents
I	Foreign Address, Passport number, date of issue and validity period	Copies of following pages of Sri Lankan passport/Foreign Passport as case may be: a) Information/Details page b) Alteration/Obligation page c) Pages where valid visa endorsement and date of departure/arrival from/to Sri Lanka stamped
II	Citizenship or nature of visa granted by a foreign Government	Visa stamping/Dual Citizenship certificate
III	Additional information	Foreign Account Tax Compliance Act (FATCA) declaration
IV	Confirmation for residential status	Copy of the employment contract/billing proof
V	Corporate investors	A letter of introduction from the investor's bank & company registration documents

3.4 Permitted Credits

- I. Remittances in foreign exchange received from outside Sri Lanka in favour of the account holder through the banking system.
- II. Foreign exchange brought into Sri Lanka by the account holder upon declaration to the Customs Department, subject to the Order issued under Section 8 of the FEA.
- III. Transfers from Personal Foreign Currency Accounts (PFCA) or IIAs or Emigrant's Remittable Income Account (ERIA) or Diplomatic Foreign Currency Accounts or Diplomatic Rupee Accounts or accounts maintained in the Offshore Banking Unit (FCBU), of the account holder.
- IV. Transfers, as any income and any capital proceeds received from capital transactions in Sri Lanka of the account holder, as permitted under the regulations or provisions of the repealed Exchange Control Act or the FEA, from a Sri Lanka rupee account or Business Foreign Currency Account (BFCA) or an account maintained in the Offshore Banking Unit (FCBU) of another person (i.e. investee or tenant or lessee or buyer, who is a resident person).
- V. In the case of the selling the investments made through the same IIA under the regulations or provisions of the repealed Exchange Control Act or the FEA to another person (i.e. buyer), transfers, as sale proceeds from an IIA of such buyer.
- VI. Settlement charges under a court order related to the capital transactions made through the IIA.
- VII. Claims received by the account holder as determined by the Central Depository Systems (Private) Limited and Colombo Stock Exchange.
- VIII. Transfers from an External Commercial Borrowing Account (ECBA) of a person resident in Sri Lanka (i.e., the borrower), as recoveries of loans granted by the account holder to the borrower, as permitted in the regulations or in terms of the provisions of the repealed Exchange Control Act or the FEA.
- IX. Transfers, as repayments of the loans granted under the regulations or the provisions of the FEA, to licenced commercial banks or licenced specialised banks or the Government of Sri Lanka or State-Owned Enterprises (i.e. borrower), from a rupee account of the borrower.
- X. Repayments of the loans granted during the period from the date of 20th November 2017 to the date of these Directions by the account holder through the same IIA to a person resident in Sri Lanka (i.e., the borrower), from a Sri Lanka rupee account or Business Foreign Currency Account or account maintained in the Offshore Banking Unit (FCBU), of the borrower.
- XI. Any income or any capital proceeds derived from a residential property acquired by the account holder utilising a loan obtained under the Directions No. 11 of 2021, subject to section 3.6(II).
- XII. Proceeds of non-materialised capital transactions excluding the loans (including Initial Public Offering) in Sri Lanka under the regulations, for which the funds were remitted through the same IIA, within three months from the date of payment made for the investment. In case of the investment in a condominium property, such proceeds returned by the property developer from the Business Foreign Currency Account of the property developer, before the completion of such property due to any failure to meet the conditions in the agreement or termination of the agreements between parties.
- XIII. Transfers of the migration allowance or current income from the Capital Transactions Rupee Account (CTRA) of the same account holder.
- XIV. Maturity proceeds including the interest of Special Deposit Accounts (SDAs) opened and maintained by the account holder under the Regulations published in the Gazette No. 2170/4 dated 08 April 2020 (subject to any amendments thereto) and the Directions applicable on SDAs.

- XV. Where the account holder is a non-national resident in or outside Sri Lanka;
- a) Any income and any capital proceeds, received from capital transactions undertaken by the account holder in Sri Lanka while being a resident in Sri Lanka, utilising the funds out of salaries, superannuation benefits of the account holder [including Employees Provident Fund (EPF), Employees Trust Fund (ETF), gratuity and pensions or any other retirement benefits].
 - b) Transfers of USD 30,000 per annum from the Capital Transactions Rupee Account of the account holder.
- XVI. Where the account holder is a company incorporated outside Sri Lanka; Transfers of USD 30,000 per annum from the Non-Resident Rupee Account of the account holder.
- XVII. Where the account holder is an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company.
- a) Any income or any capital proceeds, received from capital transactions in Sri Lanka made by the deceased person or liquidating company as permitted in the regulations or provisions of the repealed Exchange Control Act or the FEA.
 - b) Funds transferred from IIAs of such deceased person or liquidating company.
- XVIII. Transfers from an IIA of an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company, in the event of the account holder is a beneficiary.
- XIX. Interest earned on the funds held in the account.

3.5 Permitted Debits

- I. Any outward remittances in favour of the account holder.
- II. Disbursements in Sri Lanka in Sri Lanka Rupees.
- III. Transfers to PFCA or IIAs or Diplomatic Foreign Currency Accounts or Diplomatic Rupee Accounts or accounts maintained in the Offshore Banking Unit, of the same account holder.
- IV. Payments relating to capital transactions undertaken in Sri Lanka by the account holder, in terms of the permissions granted under the regulations or the provisions of FEA, to;
 - a) A rupee account of the investee/seller (who is a resident) of the investment.
 - b) A foreign currency account of the investee or issuer who is a resident if the said investee or issuer is permitted to receipt such proceeds in foreign currency in terms of the foreign exchange regulations or special permission granted for such investee/issuer.
 - c) An IIA of another person (i.e., seller) in respect of the purchase of permitted investment.
 - d) A Business Foreign Currency Account of the property developer if the investment is to purchase a condominium property.
 - e) An account maintained in Offshore Banking Unit of the investee, if the investee has been exempted from relevant provisions of the FEA on investments into Sri Lanka under the Board of Investments Law (BOI Law).
- V. Transfer of proceeds of the loan granted under the regulations or the provisions of the FEA, to licenced commercial banks or licenced specialised banks or the Government of Sri Lanka or State-Owned Enterprises (i.e. borrower), to a rupee account, of the borrower.

- VI. Transfer of proceeds of the loan granted under the regulations or the provisions of the FEA, to licenced commercial banks or licenced specialised banks (i.e. the borrower) to an Outward Investment Account of the borrower, if such borrowings are made for the purpose of financing outward investment of the borrower under the regulations or the provisions of the FEA.
- VII. Transfer of proceeds of the loans granted under the regulations or the provisions of the FEA, to an External Commercial Borrowing Account of the person resident in Sri Lanka (i.e. borrower).
- VIII. Payments relating to the investments in shares, debt securities issued by a company incorporated in Sri Lanka (i.e. investee) under the regulations or the provisions of FEA, to an Outward Investment Account of the investee, if such proceeds of the investment are to be utilised for the purpose of financing outward investment of the investee under the regulations or the provisions of FEA.
- IX. Settlement charges under a court Order related to the capital transactions made through the IIA.
- X. Claims to be paid by the account holder as determined by the Central Depository Systems (Private) Limited and Colombo Stock Exchange.
- XI. Where the account holder is an administrator/executor of the estate of a deceased person or a receiver/liquidator of a company;
 - a) Outward remittances in favour of the beneficiary or administrator/executor or receiver/liquidator of the company, outside Sri Lanka.
 - b) Transfers to the IIA of the beneficiary.
 - c) In the case of beneficiary is a resident person in Sri Lanka, transfers to a Sri Lanka Rupee account or existing Personal Foreign Currency Accounts of the beneficiary.

3.6 Special Conditions & Repatriation of Capital/Income

- I. IIAs opened by a Sri Lankan citizen employed abroad (excluding emigrants), may be continued to operate IIAs even after the account holder becomes a resident in Sri Lanka for the purpose of receiving any income or any capital proceeds of such investments made through the same IIA, until all such investments have been divested/liquidated.
- II. In the case of the credit under section 3.4 (XI), the capital proceeds of the property shall be proportionated to the sum of repayments of the loan made by utilising funds out of inward remittances or PFCA or IIAs or Emigrant's Remittable Income Account or an Account in the FCBU, of the account holder.
- III. Any income or capital proceeds received from the investee or issuer with regard to the investments which was made under item (b) of section 3.5(IV) shall be received from the foreign currency accounts of such investee and no rupee conversions will be permitted for the said purpose. Bank will obtain the consent of the investee appropriately on this condition, at the time of transferring funds for the investment from the IIA to the investee's foreign currency accounts (BFCA/FCBU) as permitted under item (b) of section 3.5(IV) under IIA regulations.

- IV. Bank will facilitate transactions related to investments by eligible investors mentioned under section 3.1(I to VII), in the following manner:
- a) The funds to the credit of an IIA of the eligible investors may be routed via a Vostro Account.
 - b) Any income and any capital proceeds of investments shall be repatriated following the same way that the investment was routed.
 - c) At the time of making investment into Sri Lanka, rupee conversions into foreign exchange for the payments of permitted capital transactions to be made through IIAs may be carried out for customers whose underlying transactions are established with another Bank provided that documentary evidence on each transaction is furnished by the said Bank with whom the IIA is maintained.
 - d) Outward remittances of any income or any capital proceeds of a permitted capital transactions in favour of the account holder may be effected through a Bank other than the Bank with whom the IIA is maintained, upon having a confirmation from the Bank with whom the IIA is maintained confirming that the funds for the purpose of the captioned capital transactions were debited from the same IIA of the account holder and income or capital proceeds received from such capital transactions were credited to the same IIA in compliance with the regulations.
- V. Banks would request for proper legally acceptable documentary evidence (as required) to establish the legality and bona-fide of the underlying transaction to be carried out and to ensure the compliance to the regulations and these Directions.

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4 OPERATIVE ACCOUNTS FOR BOI COMPANIES



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4.1 BUSINESS FOREIGN CURRENCY ACCOUNTS (BFCA)



BFCAs can be opened by any BOI company once the BOI Agreement is signed. In addition, BFCAs can be opened by companies of foreign nature (incorporated outside Sri Lanka but registering as an overseas company under Sri Lanka's Company Act, No. 07 of 2007).

The banks will request documentary evidence including the authorisation by the relevant authority/ies, if any, at the time of opening a BFCA to determine the company's eligibility to open and maintain a BFCA in respect of earnings in foreign exchange from a person resident outside Sri Lanka.

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 05 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA) read with Sections 5, 6, 7 and 8 of the FEA and the Direction No. 5 of 2021 dated 18.03.2021 issued to Banks on BFCAs (the Directions), Banks are permitted to open and maintain BFCAs, subject to the contents of this directive.

4.1.1 Eligibility

4.1.1.1 The following persons resident in Sri Lanka who earn foreign exchange from a resident outside Sri Lanka -

- 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. 07 of 2007.
- V. A State Institution with the recommendation of the Secretary to the relevant line Ministry or appropriate Authority.
- VI. An administrator or executor of the estate of a deceased person, who maintained a BFCA with an Authorised Dealer until the completion of the administration of the deceased persons estate.
- VII. A receiver or liquidator, of a company that maintained a BFCA with an Authorised Dealer, until proceedings are concluded.

Note: BOI Companies will be eligible under Section 4.1.1.1(III).

4.1.1.2 A Non-Governmental Organisation shall not be permitted to open and maintain a Business Foreign Currency Account.

4.1.1.3 The following persons resident in Sri Lanka who earn foreign exchange from an authorised person who is permitted to engage in business in and from the Area of Authority of the Colombo Port City in accordance with the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021.

- I An employee of an authorised person;
- II Any person who is engaged in business with an authorised person for the purpose of provisioning of goods or services.

4.1.2 Snapshot of BFCA

Table 5: Snapshot of BFCA

	Description	Details
I	Place to Open	Domestic Banking Unit (Branch of a Bank)
II	Types of Accounts	Savings, Current or Fixed Deposits
III	Currency	Any designated foreign currency
IV	Account Ownership	Single
V	Debit Card	Yes. Subject to permitted eligible category & limits. (Subject to internal controls of the Bank)
VI	Internet Banking	Yes. Permit inquiries and local disbursements only. (Subject to internal controls of the Bank)
VII	Effect Transactions on Investments	Manual transfers subject to Transaction Due Diligence (TDD). Proof required for Capital Transactions
VIII	Statements	Printed/e-statements. (Subject to internal controls of the Bank)
IX	Withholding Tax on Interest	As per applicable regulations of Department of Inland Revenue
X	Tax Clearance on Outward Remittances	As per applicable regulations of Department of Inland Revenue

4.1.3 Documents Required

- I. Duly completed appropriate mandate form/s for a Company and any other connected documents should be obtained together with KYC/CDD documents.
- II. Documentary evidence will be obtained at the time of opening of BFCA to determine the applicant's eligibility to open and maintain BFCA and the authorisation by the relevant authority/ies, if any, to carry out the business of such applicant if applicable.

*** Digital onboarding of company can be done based on the digital adaptability of the Bank.*

4.1.4 Permitted Credits

- I. 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, and goods and services supplied locally to a person resident outside Sri Lanka.
- II. Foreign exchange 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 (subject to submitting a confirmation to the Bank).
- III. Transfers from a Personal Foreign Currency Account (PFCA), BFCA or an account maintained in the Offshore Banking Unit (OBU) of the same account holder.

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- IV. Transfers from an account maintained in the FCBU of a person resident outside Sri Lanka in respect of a current transaction.
 - V. Where account holder is a local shipping/airline company; transfers from PFCA of a citizen of Sri Lanka working abroad (employee) in vessels/aircrafts owned by the account holder being overpayment of crew salaries/wages and other related payments due from such employee;
 - VI. Transfers from a Diplomatic Foreign Currency Account of a person resident outside Sri Lanka, in respect of supply of goods and services;
 - VII. Where the account holder is a shipping agent or a GSA 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;
 - VIII. Where the account holder is a shipping agent or a GSA in Sri Lanka; freight and passenger fares collected in foreign exchange by the agent on behalf of the foreign principal, by way of a bank transfer or bank draft issued by an authorised dealer/Bank in Sri Lanka against a BFCA or an account maintained in the OBU;
 - IX. Where account holder is a company incorporated in Sri Lanka which has arrangements with an overseas employer for disbursement of wages and/or earnings to Sri Lankan citizens who are rendering services outside Sri Lanka; remittances received in foreign exchange from abroad through the banking system from the respective overseas employers or transfers from an account maintained in the OBU of such overseas employer;
 - X. Payments received in foreign exchange by the account holder who is carrying permitted business under duty-free concessions, being consideration for goods or services supplied to passengers (irrespective of the residential status) arriving in or departing from Sri Lanka at a port or airport in Sri Lanka (subject to declaration);
 - XI. Any income or capital proceeds of any foreign asset of the account holder, where such asset had been acquired by debiting the BFCA;
 - XII. Transfers from an Outward Investment Account (OIA) being any income or capital proceeds received from outward investments, where such investments had been made by debiting the BFCA of the same account holder or by utilising the funds transferred to an OIA from the BFCA of the same account holder, proportionately to the contributions.
 - XIII. Transfers from an OIA of another person (i.e. buyer) being proceeds from sale of a permitted investment in overseas to such buyer, where the original investment had been made by debiting the same BFCA of the account holder;
 - XIV. Coupon income, sale/maturity proceeds and any other related receipts arising from investments made in Sri Lanka Development Bonds (SLDBs) in foreign currency, if the original investment in SLDBs had been made by debiting the BFCA of the account holder;
 - XV. Unutilised foreign currency obtained by the account holder debiting the BFCA;
 - XVI. Unutilised balance remaining in the Foreign Travel Card (FTC) of the account holder, up to the amount such FTC had been funded from the same BFCA of the account holder;
 - XVII. When the account holder is an Insurance company regulated by the Insurance Regulatory Commission of Sri Lanka (IRC SL); insurance premia received on foreign currency denominated insurance policies issued to eligible customers and co-insurers and claims received from reinsurers and National Insurance Trust Fund (NITF);

- XXIII. Where account holder is an employer; transfers from a PFCA of a non-national or a dual citizen employed in Sri Lanka (i.e., employee) being overpayment of salaries, employment and retirement benefits or any other payment due from such employee;
- XXIX. Where account holder is a property developer; transfer of funds from an Inward Investment Account (IIA) of a person resident outside Sri Lanka (i.e. investor) being payments received from sale of immovable property to such investor;
- XX. Where account holder is a property developer; transfer of funds from a Foreign Currency Loan Account (FCLA) being payments received from a Sri Lankan resident outside Sri Lanka on Permanent Residency visa in another country or a dual citizen, as permitted by the Directions No. II of 2021 dated 18 March 2021;
- XXI. Remittances originating outside Sri Lanka from the account holder in terms of Section 8(3) of the FEA;
- XXII. Transfers from other BFCAs or accounts maintained in the OBU in respect of supply of goods and services by the account holder being a category of persons listed in Annexure I;
- XXIII. Interest earned in foreign currency on the funds held in the account;
- XXIV. In the event where account holder is a local educational institution, transfers from personal foreign currency accounts of Sri Lankans employed abroad (other than emigrants) being receipts of course or tuition fees in respect of their immediate family members enrolled as students.
- XXV. Earnings/payments in foreign exchange received by the account holder (who is an eligible person to open and maintain BFCAs) from a foreign currency account of an authorised person who is permitted to engage in business in and from the area of authority of the Colombo Port City in accordance with the provisions of the Colombo Port City Economic Commission Act, No. 11 of 2021.

4.1.5 Permitted Debits

- I. Any outward remittances made outside Sri Lanka in respect of current transactions and capital transactions of the account holder;
- II. Disbursements in Sri Lanka in Sri Lanka Rupees;
- III. Transfers to a PFCA, BFCA or an account maintained in the FCBU of the same account holder;
- IV. Transfers to an account maintained in the OBU of a person resident outside Sri Lanka in respect of current transactions;
- V. Withdrawal in foreign currency notes up to USD 5,000 (or equivalent in any other foreign currency) or transfer of funds for uploading an FTC for travel purpose of the account holder in terms of the Directions No. 02 of 2021 dated 18 March 2021 on Current Transactions;
- VI. Withdrawal in foreign currency notes up to USD 50,000 (or equivalent in any other foreign currency) at a time by gem and jewelry dealers for the purpose of purchasing cut and polished or rough gemstones and other raw materials abroad upon submission of confirmation obtained from the National Gem and Jewelry Authority;
- VII. Where account holder is a shipping agent or a GSA 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 AD;
- VIII. Transfers to External Commercial Borrowing Account (ECBA) of the same account holder (i.e. borrower) for the purpose of repayment/service of a foreign currency loan obtained from a lender in overseas;

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- IX. Debt servicing expenses and repayment of foreign currency accommodations obtained by the account holder from the Bank including transfer of funds to a BFCA Loan Account;
 - X. Transfers to an IIA of a lender in overseas, being repayment of foreign currency loans obtained from such lender during the period from 20 November 2017 to the date of these Directions by the account holder (i.e. borrower);
 - XI. Transfers in respect of making investments in SLDBs in foreign currency utilising funds in the BFCA of the account holder;
 - XII. Transfers to an OIA of another person (i.e. seller) being payments for purchase of a permitted investment in overseas which have been made by the seller through the same OIA;
 - XIII. Where account holder is an Insurance company registered with the IRCSL; payments of claims to eligible customers and co-insurers in respect of foreign currency denominated policies, premia to local or overseas re-insurers and NITF and brokerage charges;
 - XIV. Where account holder is an investee, tenant, lessee or a buyer, transfers to an IIA being payments of any income or capital proceeds attributed to capital transactions in Sri Lanka of such holder of the IIA, as permitted under the Regulations and Directions issued under the FEA applicable for IIAs;
 - XV. Where account holder is a company incorporated in Sri Lanka which has arrangements with an overseas employer for disbursement of wages and/or earnings to Sri Lankan citizens who are rendering services outside Sri Lanka; transfers to PFCAs or Sri Lanka Rupee accounts of the respective employees;
 - XVI. If the account holder is local shipping/airline company; transfers to PFCAs of Sri Lankan citizens working abroad in the vessels/aircrafts owned by such shipping/airline company being payment of crew salaries/wages and other related employment benefits;
 - XVII. Transfers to other BFCAs or accounts maintained in the OBU in respect of purchase of goods and obtaining services by the account holder being a category of persons listed in Annexure I;
 - XVIII. Outward remittance of funds for any purpose of the account holder being an individual, where such funds have been remitted to Sri Lanka in terms of the Section 8 (3) of the FEA.*

*Section 8 (3) of FEA

Notwithstanding anything to the contrary in the provisions of any other written law, any Sri Lankan citizen resident in Sri Lanka who remits to Sri Lanka any foreign exchange which have not been declared to the Commissioner General of Inland Revenue or the Head of the Department of Foreign Exchange before the appointed date and which are not the property in respect of which proceedings are pending in a court of law or an order has been made by a court of law under the Prevention of Money Laundering Act, No. 5 of 2006, Convention on the Suppression of Terrorist Financing Act, No. 25 of 2005 or the Bribery Act (Chapter 26) shall be liable to pay only a remittance fee of one per centum to the Commissioner General of Inland Revenue and shall not be subject to the payment of any other fee, tax, surcharge, levy or penalty:

- XIX. Transfer of earnings in foreign exchange to the Special Foreign Currency Account opened in terms of the Directions No. 26 of 2021 dated 30 July 2021 by the account holder, for making payments of any income or maturity proceeds attributed to investments made by the eligible investors in respect of listed shares or debt securities denominated in designated foreign currency on the Colombo Stock Exchange, as permitted under the regulations.

4.1.6 Special Conditions

- I. Sri Lanka Rupees shall not be converted into foreign currency and be credited into a BFCA.
- II. BFCA shall not be overdrawn, except by way of an overdraft facility granted under the Directions No. 09 of 2021 dated 18 March 2021 on Accommodations to BFCA holders.
- III. Bank shall not credit BFCA with charges and deposits that are collected as local fees or charges which are not components of freight, where the account holder is a shipping agent or General Sales Agent (GSA) licenced by the Director General of Merchant Shipping or Director General of Civil Aviation Authority of Sri Lanka, respectively.
- IV. Bank shall require to obtain a written confirmation on payments received in respect of goods sold and services rendered by the account holder to a person resident outside Sri Lanka where payments for such goods and services have been made through an Electronic Data Capture Terminal or Internet Payment Gateway (EDC/IPG), by using an Electronic Fund Transfer Card (EFTC) issued outside Sri Lanka, provided that the Bank shall credit such payment into a BFCA only upon written confirmation by the EDC/IPG provider stating that it contains payments made using an EFTC issued outside Sri Lanka.
- V. Where account holder is a shipping agent or a GSA in Sri Lanka, repatriation of surplus funds to the foreign principal shall only be permitted, only upon a written confirmation obtained from the account holder (i.e., agent) to the effect that adequate funds have been retained in the BFCA, to meet all local liabilities of the foreign principal in Sri Lanka including tax payable to the Government and the agency commission.
- VI. Where account holder is a company incorporated or registered in Sri Lanka; Bank may issue foreign currency notes up to a maximum of USD 5,000 (or equivalent in other foreign currency) per individual (being an employee of such company) for the purpose of travelling abroad of such employee by debiting the BFCA of the account holder (employer), subject to the Directions No. 02 of 2021 dated 18 March 2021 on current transactions.

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4.2 FOREIGN CURRENCY BANKING UNIT ACCOUNTS (FCBU)



The authority for BOI Companies to open accounts in the FCBU of a bank was derived from the Banking (Off-shore Banking Scheme) Order, 2000 published under the Banking Act, No. 30 of 1988 as amended.

However, FCBU accounts can be opened only by BOI Companies, which enter into an agreement with Board of Investment (BOI) of Sri Lanka under Section 17 of the BOI Act of Sri Lanka, Law No. 4 of 1978, and which has been granted approval to transact business with any off-shore unit of a LCB.

4.2.1 Eligibility

Companies incorporated in Sri Lanka and entered into agreement with BOI under Section 17 of the BOI Law No. 04 of 1978.

4.2.2 Snapshot of FCBU

Table 6: Snapshot of FCBU

	Description	Details
I	Place to Open	FCBU Department/Special FCBU Branch of a Bank
II	Types of Accounts	Savings, Current or Fixed Deposits
III	Currency	Any designated foreign currency
IV	Account Ownership	In the name of company opening the account
V	Internet Banking	Yes. Generally permit inquiries and any other transactions subject to internal controls of the bank
VI	Effect Transactions on Investments	Manual transfers subject to Transaction Due Diligence (TDD). Fixed deposits can be opened at FCBU but any other investment transaction has to be channelled through the IIA
VII	Statements	Printed/e-statements Subject to internal controls of the Bank
VIII	Withholding Tax on Interest	As per applicable regulations of Department of Inland Revenue
IX	Tax Clearance on Outward Remittances	As per applicable regulations of Department of Inland Revenue

4.2.3 Documents Required

BOI Companies (Resident companies who are registered under Section 17 of the BOI Act).

- I. Duly completed appropriate mandate form/s for a Company and any other connected documents together with KYC/CDD documents.
- II. Documentary evidence to determine the applicant's eligibility to open and maintain FCBU accounts and the authorisation by the relevant authority/ies, if any, to carry out the business of such applicant if applicable.

e. g., Certificate of Company Registration, copy of BOI Agreement, BOI Registration, Letter from BOI stating that the company has been granted approval to transact business with any offshore unit. (If the same is not stated in the BOI agreement).

4.2.4 Permitted Credits

- I. Remittances in designated Foreign Currencies received through the banking system.
- II. Transfer of funds from a third-party foreign currency account subject to the prevailing regulations and provisions of the FEA as applicable to the account to be debited.
- III. Proceeds of loans against the facilities extended to the company. However, FCBU will not be granting loans in foreign currency to BOI companies unless satisfied that the BOI company has the capacity to repay the loan in foreign currency.
- IV. Interest earned on the funds held in Savings and Term Deposits Accounts.
- V. Any other credit as permitted by the Banking (Off-shore Banking Scheme) Order, 2000 issued under the Banking Act No. 30 of 1988 as amended.

4.2.5 Permitted Debits

- I. Disbursements in Sri Lanka in Sri Lanka Rupees.
- II. Outward remittances out of a FCBU Account of a resident (e. g., BOI Company) shall be allowed subject to the Banking (Off-shore Banking Scheme) Order, 2000 issued under the Banking Act No.30 of 1988 and satisfying on the bona-fide of the transactions.
- III. Transfer of funds from a FCBU Account of a resident to a third-party foreign currency account shall be in line with the permitted credits of such foreign currency accounts subject to the provisions of FEA.
- IV. Transactions between accounts maintained in the offshore banking unit shall be allowed after satisfying on the *bona-fide* of the transactions and subject to any prevailing regulations.
- V. Loan installments, interest, bank charges, fees, commissions & etc. payable by the customer.
- VI. Any other debit as permitted by the Banking Act, No. 30 of 1988 as amended.

4.2.6 Special Conditions

Export proceeds credited to the FCBU Accounts of the BOI companies shall be handled as per the prevailing regulations on "Repatriation of Export Proceeds into Sri Lanka, Rules No. 02 of 2022".

References

Banking Act, No. 30 of 1988. [Banking Act No \(cbsl.gov.lk\)](http://cbsl.gov.lk).

Board of Investment of Sri Lanka Act No. 4 of 1978. [Act No 4 of 1978.pdf \(investsrilanka.com\)](http://investsrilanka.com)

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4.3 LOCAL CURRENCY RUPEE ACCOUNTS (LKR)



Local currency rupee accounts can be opened by BOI Companies as per **Table 1** since considered as residents in Sri Lanka.

5 ADVANCES AND BORROWING OPTIONS FOR BOI COMPANIES



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5.1 ACCOMMODATIONS TO BUSINESS FOREIGN CURRENCY ACCOUNTS (BFCA) HOLDERS



In terms of Section 09 of the Foreign Exchange Act, No.12 of 2017 (the FEA), ADs are permitted to extend accommodations in foreign currency from DBUs (branches) to holders of Business Foreign Currency Accounts (BFCAs) subject to following. These are issued under Directions No. 09 of 2021 under FEA.

5.1.1 Purposes of granting Accommodations

- I. To utilise for any purpose in Sri Lanka.
- II. To make payments in respect of current transactions of the borrower.

5.1.2 Eligibility and Evaluation

- I. Accommodations shall be extended only to holders of BFCAs being earners in foreign exchange who have established, to the satisfaction of the business units, that the borrower receives regular cash flows in foreign exchange during its normal course of business to service the loan in full, on time.
- II. Business Units shall prudently assess the credit risk, particularly on the ability of the BFCA holders to service such accommodations out of their existing or expected foreign exchange cash flows and shall maintain records to support their assessment.
- III. Existing procedure in evaluating and approving of credit facilities shall be followed.
- IV. Borrower Rating (Risk Rating) to be completed prior to evaluate the credit proposal.

5.1.3 Rate of Interest

- I. Interest rate will be determined by the management of the bank from time to time. The banks will have option of changing the interest rate periodically.

5.1.4 Security

- I. Security shall be determined by as per the credit policy of the Bank to mitigate credit risk and considering the risk profile of the proposal.
- II. Banks may also extend accommodations to the borrowers upon obtaining a Bank Guarantee (BG) or Standby Letter of Credit (SBLC) from another Bank (e. g., - issuer) favouring the lender, where such BG/ SBLC is issued against funds held in the BFCA of the borrower maintained with the issuer, as per the Direction No. 20 of 2021 dated 18-03-2021 on Issuance and Renewal of Guarantees in respect of current and capital transactions. (Directive on Issuance and Renewal of Guarantees in Respect of Current and Capital Transaction – Doc Ref. No. DIR/2021/0022).

5.1.5 Disbursement & Repayment

- I. A special **BFCA Loan Account (BLA)** in the name of the company will be opened for the purpose of disbursing the loan proceeds and receiving repayments of the loan.
- II. This account will be a current account in any designated foreign currency.

References

Central Bank of Sri Lanka, Department of Foreign Exchange, Directions No. 20 of 2021 under Foreign Exchange Act, No. 12 of 2017. Directions issued to Authorized Dealers on issuance and renewal of guarantees in respect of current and capital transaction. [ee38ca98c321c0985d0efae6eb2d2489-Direction-No-20--Guarantee.pdf \(dfe.lk\)](#).

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5.2 SPECIAL FOREIGN CURRENCY ACCOUNTS FOR INVESTEE TO FACILITATE CURRENT TRANSACTIONS (SFCA- INVESTEE)



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 Government Gazette (Extraordinary) Notifications No. 2213/38 dated 03.02.2021 and Section 9 read with Section 6 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are permitted to open and maintain **SFCA - Investee** out of proceeds received, being an investments into the share capital of the company from a person resident outside Sri Lanka (i.e. non-resident investors), provided that the said company (i.e. investee) has future requirement to meet the payments of current transactions and repayments of foreign currency loans or/and accommodations obtained under the provisions of FEA, subject to the following. The instructions are available under Directions No. 01 of 2023 under FEA.

5.2.1. Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, that are receiving the investment into the share capital of the company from a non-resident investor, in compliance with Regulations No. 2 of 2021 published in the Government Gazette (Extraordinary) No. 2213/35 dated 03.02.2021, as amended, and in need of foreign exchange to meet future payments of current transactions and repayments of foreign currency loans or/and accommodations obtained under the provisions of the FEA.

5.2.2 Opening and Maintaining the Accounts

- I. The SFCA - Investee may be opened and maintained in the form of current (without overdraft facility and cheque drawing facility) or saving accounts in any designated foreign currency, out of the proceeds received as investment into the share capital of the company routed through Inward Investment Accounts (IIAs) of non-resident investors.
- II. Should be opened and held as a sole account by the eligible persons.
- III. Opening and maintenance of SFCA - Investee shall be valid until **31.12.2023**.

5.2.3 Permitted Credits

- I. Transfer of funds from an IIA of the investor/s, being investment into the share capital of the company.
- II. Interest on the funds in the account.

5.2.4 Permitted Debits

- I. Outward remittances with respect to current transactions of the account holder.
- II. Transfers for the repayment of foreign currency loans or/and accommodations obtained by the account holder, in terms of the Regulations, Orders and Directions issued under the provisions of the FEA, as amended, adhering to the procedures on repayments/servicing of such foreign currency loans/accommodations mentioned in the said Regulations, Orders and Directions.
- III. Local disbursements in Sri Lankan rupees.

5.2.5 Other Conditions

- I. Eligible persons shall submit documentary evidence, to determine the future requirement of the payments for current transactions and repayments of foreign currency loans/accommodations to be eligible to open an SFCA - Investee, as applicable.
- II. All SFCA - Investee will be closed on 31.12.2023. In this case, any outstanding balance in the SFCA-Investee shall be transferred to a rupee account of the account holder.

References

Companies Act, No. 07 of 2007. <https://www.drc.gov.lk/en/wp-content/uploads/2018/04/Act-7-of-2007-English.pdf>

Foreign Exchange Act, No. 12 of 2017. [PL 005162 \(E\) Foreign \(Cov\) Act, No. 12 of 2017.pmd \(cbsl.gov.lk\)](#).

The Gazette of the Democratic Socialist Republic of Sri Lanka, Extraordinary. No. 2213/38, 03 February 2021. Government Notifications, Foreign Exchange Act, No. 12 of 2017. The Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021. [PG 5302 - 11 \(E\) Foreign Exchange.pmd \(documents.gov.lk\)](#).

The Gazette of the Democratic Socialist Republic of Sri Lanka, Extraordinary. No. 2213/35, 03 February 2021. Government Notifications, Foreign Exchange Act, No. 12 of 2017. The Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021. [PG 5299 - 11 \(E\) Foreign Exchange.pmd \(documents.gov.lk\)](#)

Central Bank of Sri Lanka, Department of Foreign Exchange, Directions No. 01 of 2023 under Foreign Exchange Act, No. 12 of 2017. Directions issued to Authorized Dealers on Special Foreign Currency Accounts for investee to facilitate Current Transactions (SFCA - Investee) <https://dfe.lk/web/images/rdevelopment/ee5dabcd7a7a2dfd20ffadd458e76881-Directions-No.%2001%20of%202023.pdf>

5.3 EXTERNAL COMMERCIAL BORROWING ACCOUNTS (ECBA)



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 (the regulations) and Section 9 read with Section 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorised Dealers (ADs) are permitted to open and maintain External Commercial Borrowing Accounts (ECBAs) in the Domestic Banking Unit, subject to the following issued under the Directions No. 19 of 2021 in FEA on ECBA:

5.3.1 Eligible Persons

- I. Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007.

5.3.2 Opening and Maintaining the ECBAs

- I. ECBAs may be opened and maintained in the form of Savings or Term Deposit accounts in any designated foreign currency or in Sri Lanka Rupees and shall be held as sole accounts.

5.3.3 Permitted Credits

- I. Remittances/transfers of proceeds of the loan obtained by the account holder from an overseas lender, from an account maintained outside Sri Lanka or an Inward Investment Account or an account maintained in the Off-shore Banking Unit, of such lender.
- II. Transfers from an Outward Investment Account or Business Foreign Currency Account, an account maintained in the Off-shore Banking Unit or Sri Lankan Rupee account, of the account holder, for the purpose of servicing the loan.
- III. Transfers from another ECBAs of the same account holder.
- IV. Interest earned on the funds held in the account.

5.3.4 Permitted Debits

- I. Remittance/transfers of funds to an account maintained outside Sri Lanka or an Inward Investment Account or an account maintained in the Off-shore Banking Unit, of the lender, for the purpose of servicing and repayments of the loan, in terms of the loan agreement.
- II. Transfers of loan proceeds, to a Sri Lanka Rupee account of the account holder.
- III. Transfers of loan proceeds, to an Outward Investment Account of the account holder only if the loan has been obtained for the purpose of financing outward investments, as permitted in the Foreign Exchange (the Classes of Capital Transactions Undertaken Outside Sri Lanka by a Person Resident in Sri Lanka) Regulations No. 01 of 2021 or in terms of the provisions of the repealed Exchange Control Act or the FEA.
- IV. Remittances in respect of current transactions of the account holder.
- V. Transfers to the ECBAs of the same account holders.
- VI. Bank charges, fees, commissions, etc. payable with respect to the loan.
- VII. Disbursement in Sri Lanka in Sri Lanka Rupees.

5.3.5 Other Conditions

- I. ADs shall be provided with proper legally acceptable documentary evidence (as required) including the following information/documents, to establish the legality and bona-fide of the transactions made through the ECBA.
 - a) A certified copy of the loan agreement including the repayment schedule.
 - b) Profiles of the lender and borrower.
 - c) A copy of the Resolution passed by the Board of Directors of the company who is borrower for the approval on the proposed loan, certified by the company secretaries.

5.3.6 Closure of ECBAs

- I. ADs will close an ECBA, if the borrower has fully settled the respective loan.
- II. However, in the event an ECBA holder requests for a closure of the ECBA before fully settled the respective loan, for the purpose of continue the future repayments of the said loan *via* a ECBA to be opened with another AD, the AD with whom the original ECBA is held, may close the ECBA only after forwarding following information/documents for the satisfaction of AD who wish to open new ECBA.
 - a) A confirmation on the details of the receipt of the loan (Date, Amount with currency type, Lender, Borrower etc.), all repayments (Date, Amount, Beneficiary account details etc.) and outstanding balance.
 - b) Documentary evidences collected from the ECBA holder, in proof of the transactions made through the ECBA.

References

The Gazette of the Democratic Socialist Republic of Sri Lanka, Extraordinary. No. 2213/35, 03 February 2021. Government Notifications, Foreign Exchange Act, No. 12 of 2017. The Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021. [PG 5299 - 11 \(E\) Foreign Exchange.pmd \(documents.gov.lk\)](#)

Companies Act, No. 07 of 2007. <https://www.drc.gov.lk/en/wp-content/uploads/2018/04/Act-7-of-2007-English.pdf>

Foreign Exchange Act, No. 12 of 2017. [PL 005162 \(E\) Foreign \(Cov\) Act, No. 12 of 2017.pmd \(cbsl.gov.lk\)](#)

Central Bank of Sri Lanka, Department of Foreign Exchange, Directions No. 19 of 2021 under Foreign Exchange Act, No. 12 of 2017. Directions issued to Authorized Dealers on External Commercial Borrowing Accounts. [75d6d8e80839f6a2e798d1f22e1fb2dc-Direction-No-19--ECBA.pdf \(dfe.lk\)](#)

5.4 SPECIAL FOREIGN CURRENCY ACCOUNT - SHORT TERM FOREIGN CURRENCY LOANS FROM OVERSEAS (SFCA - SHORT TERM LOANS)



In terms of the Foreign Exchange (Short Term Foreign Currency Loans from a Company Incorporated Outside Sri Lanka) Regulations No. 2 of 2022 published in the Gazette (Extraordinary) Notification No. 2308/51 dated 02.12.2022 (the regulations) and section 9 read with sections 6 and 7 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorised Dealers (ADs) are hereby permitted to open and maintain **SFCA - Short Term Loans**, in order to facilitate payments for import of raw materials for manufacturing of products, by the companies incorporated in Sri Lanka under the Companies Act, No. 07 of 2007 (i.e., borrower), out of the proceeds of the foreign currency (FCY) loans obtained for a tenure of less than 3 years including a minimum grace period of 1 year (i.e., short-term), from the Parent Company or a Company within the same Group of Companies, incorporated outside Sri Lanka (i.e., lender), subject to the following:

5.4.1 Eligible Persons

Companies incorporated in Sri Lanka under the Companies Act, No. 07 of 2007, which import raw materials for manufacturing of their products, subject to the recommendation obtained from the Secretary, Ministry of Industries that the final product manufactured by the company using imported raw materials has a domestic value addition of at least 30%, with a letter of authorisation obtained from the Controller General of Imports and Exports, where necessary.

5.4.2 Opening and Maintaining the Accounts

- I. The SFCA - Short Term Loans may be opened and maintained as a sole account in the form of current (without overdraft facility and cheque drawing facility) or saving accounts in any designated foreign currency, out of the proceeds of the short term FCY loan received.
- II. Eligible persons shall open an SFCA - Short Term Loans in respect of receiving the proceeds of the short-term loan from each lender, and all repayments including interest payments of such loans shall be made through the same SFCA - Short Term Loans.
- III. Opening of SFCA - Short Term Loans under these Directions shall be valid only within the period of one (1) year (upto 08 December 2023) as permitted in the regulations and the same account shall be maintained until completion of servicing/repayment of the said loan.

5.4.3 Permitted Credits

- I. Remittances/transfers of proceeds of the loan obtained by the account holder from the lender, from an account maintained outside Sri Lanka or an Inward Investment Account (IIA) or an account maintained in the Off-shore Banking Unit (FCBU), of such lender.
- II. Transfers from a Sri Lankan Rupee account of the account holder, for the purpose of servicing the loan.
- III. Transfers from another SFCA - Short Term Loans of the same account holder for the purpose of making payments in respect of 5.4.4 (I) of these directions.
- IV. Interest earned on the funds held in the account, if any.

5.4.4 Permitted Debits

- I. Outward remittances in respect of payments for imports of raw materials required for manufacturing of products.
- II. Remittance/transfers of funds to an account maintained outside Sri Lanka or an IIA or an account maintained in the FCBU, of the lender, for the purpose of servicing and repayment of the loan obtained under the regulations, in terms of the loan agreement.
- III. Bank charges, fees, commissions, etc., payable with respect to the short-term loan.
- IV. Transfers to another SFCA - Short Term Loans of the same account holder for the purpose of making payments in respect of 5.4.4 (I) of these Directions.

5.4.5 Closure of the Account

- I. ADs will close the SFCA - Short Term Loans, in the event the borrower has fully settled the respective loan.
- II. In the event the borrower requests for a closure of the SFCA - Short Term Loans before the full settlement of the respective loan, for the purpose of continuing the future repayments *via* an SFCA - Short Term Loans to be opened with another AD, the AD with whom the original SFCA - Short Term Loans is held, may close the account only after forwarding the relevant information/documents (i.e., confirmation on the details of the receipt of the loan, all documentary evidences collected etc.) for the satisfaction of the AD that wishes to open the new SFCA - Short Term Loans.

References

Companies Act, No. 07 of 2007. <https://www.drc.gov.lk/en/wp-content/uploads/2018/04/Act-7-of-2007-English.pdf>.

Foreign Exchange Act, No. 12 of 2017. [PL 005162 \(E\) Foreign \(Cov\) Act, No. 12 of 2017.pmd \(cbsl.gov.lk\)](#)

The Gazette of the Democratic Socialist Republic of Sri Lanka, Extraordinary. No. 2308/51, 02 December 2022. Government Notifications, Foreign Exchange Act, No. 12 of 2017. The Foreign Exchange (Short Term Foreign Currency Loans from a Company Incorporated Outside Sri Lanka) Regulations No. 2 of 2022. [2308-51 E.pdf \(documents.gov.lk\)](#)

6 REPATRIATION OF INVESTMENT PROCEEDS



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REPATRIATION OF CAPITAL/PROFITS



Repatriation of capital proceed of investment shall be done by the investors as per Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 which is effective from March 22, 2021.

- I. Mechanism of channelling funds into or out of Sri Lanka relating to permitted investments:
 - a) the consideration payable for permitted investments referred to above shall be routed through an Inward Investment Account opened and maintained in any designated foreign currency or Sri Lanka Rupees;
 - b) all income and any capital proceeds derived from such investments shall be credited to the Inward Investment Account through which the investment was made.
- II. Repatriation of the proceeds of investments made prior to November 20, 2017.
 - a) Any income and any capital proceeds of the above investments made prior to November 20, 2017, may be repatriated only through an Inward Investment Account opened by the investor or directly to an account outside Sri Lanka of the investor in the case of investments made in units in Unit Trusts, subject to submission of evidence of the inward remittances for the investment.
 - b) In the event where the evidence of the inward remittances are not available for the investments made prior to January 1, 2010, any income and any capital proceeds of such investment may be repatriated only through an Inward Investment Account opened by the non-resident investor or remit directly to an account outside Sri Lanka of the investor in the case of investments made in units in Unit Trusts, upon satisfying with the bonafide of the transaction made by the authorised dealer or the restricted dealer.

Please refer Section 3.6 under IIA for further information.

Reference

The Gazette of the Democratic Socialist Republic of Sri Lanka, Extraordinary. No. 2213/35, 03 February 2021. Government Notifications, Foreign Exchange Act, No. 12 of 2017. The Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021. [PG 5299 - 11 \(E\) Foreign Exchange.pmd \(documents.gov.lk\)](#)

7 BANKING SERVICES FOR BOI COMPANIES



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CORPORATE PRODUCTS



Banks' corporate products cover an entire gamut of services, geared towards the financial management of everyday business operations. Varying from financing of project, warehouses, imports, exports and dealer financing, banks go the extra mile to offer an effortless cash management process as well. Once the BOI companies commence operations, banks will be ready to offer tailor-made solutions to meet all banking needs of prospective investors/operative companies subject to capacity of the bank.

Services offered in general are,

- I. Trade Services
- II. Export Financing
- III. Import Financing
- IV. Warehouse Financing
- V. Cash Management

7.1 Trade Services

Banks are committed and geared to offer trade solutions beyond your expectations and market boundaries. With unique combination of financial strength, outstanding trade teams and technological innovation, Sri Lankan banks can take the businesses to the next level. In doing so, certain banks have made Trade Services simpler, more convenient and dynamic; an edge one will not find anywhere.

Specialised services available in Trade Services,

- I. Expertise and professional advice, giving the cutting-edge advantage, to be the first to seal a trade deal.
- II. Ensure the documents meet strict compliance and terms of Documentary Credit.
- III. Global presence through a large network of correspondent banks.
- IV. Offshore banking facilities to cater to specific trade needs.
- V. The best exchange rates offered in the market.

7.2 Export Financing

Export financing is a short-term working capital finance facility available to the exporters to meet their working capital requirements. Types of export financing are,

- I. Pre-shipment financing
- II. Post shipment financing

Pre-shipment and post-shipment financing may be in the form of Packing Credit Loans, Pledge Loans, Export Bill Purchasing in either rupee or foreign currency.

- I. Pre-shipment Financing: To meet the customer's working capital requirements prior to shipment of goods, banks provide facilities against confirmed export order/documentary credit from the buyer at very competitive rates for following purposes:
 - a) Purchase of raw material
 - b) Processing/manufacturing of goods
 - c) Packaging
 - d) Warehousing
- II. Post shipment Financing: Post shipment financing is facilities granted to an exporter after shipment of goods, till the date of repatriation of export proceeds. Banks offer post shipment facilities against shipping documents and assist exporters with their working capital requirements between the period the goods are shipped and export proceeds are received (e. g., Export Bill Purchasing).

7.3 Import Financing

Services offered by Banks vary from,

- I. Recognised payment undertaking to high rated suppliers.
- II. Availability of a correspondent banking network around the globe.
- III. Prompt confirmation and discounting arrangements at competitive prices.
- IV. Speedy transmission with a wide range of feasible trade solutions.
- V. Payment guaranteed to supplier on the due date.
- VI. Efficient and accurate settlement process.
- VII. Ability to seek financing of discounting facilities by suppliers against the bank's acceptance of payment.
- VIII. Payment undertaking for DA bills from a reputed, leading banks.
- IX. Less complexity and prioritised handing process without any delay.
- X. Convenient and less expensive.

7.4 Warehouse Financing

Banks provide storage facilities to customers in warehouses directly controlled by the bank and offer credit facilities against the goods stored in these warehouses. Banks can reimburse up to 100% of the import bill value once the goods are delivered and stored in warehouse.

I. Eligibility

Businesses who are engaged in imports, exports, manufacturing and trading are eligible for this facility. Apart from the nature of the business the firm is involved in, general terms and conditions on obtaining a credit facility of the banks are applicable. Banks will always ensure that prospective borrower has the good title to the goods to be pledged.

II. Eligible Commodities

The commodity offered must have qualities which assure a measure of marketability. Accordingly, advances against merchandise should be made principally against,

- a) Staple or quasi-staple commodities
- b) Widely used raw materials and
- c) Thoroughly standardised semi-finished or finished products.

III. Benefits to the customers

Instant working capital funding, safety of the good guaranteed by a professional logistics service provider and hassle-free loading and unloading.

7.5 Cash Management**Key Benefits**

- I. Cash/cheque collection: Some banks are fully equipped to manage retail/inter branch collections/ deliveries and cash transport requirements including cheque collections.
- II. Fund collection channels available are, banks' electronic delivery channels, payment gateway & QR based payments, which offer a range of fund collection options. Cash flow can be optimised through a standing order to collect funds to a centralised account. Banks also offer cheque deposit kiosks, cash deposit machines and island wide branch networks.
- III. Investment portfolio management: Cash sweeping, cash pooling and short-term money market investment options are available at most banks. It is possible to consolidate collection accounts, optimise cash flows and invest in a range of treasury management products.
- IV. Payment Management Solutions (Internet Banking for Corporates): Fund transfers, bulk payments and payments through mobile phones are easily carried out through banks' internet banking portals for corporates. BOI Companies can also schedule payments *via* pre-established payment templates, execute real time payments such as staff salaries, EPF/ETF, SLPA and customs duty etc. All trade service functions can be managed online.
- V. Cheque printing & distribution services: To maintain full control of cheque payments and reduce operational complexities, risks and costs by outsourcing cheque printing requirements. Banks will manage the cheque printing and the distribution to customers, suppliers and vendors.
- VI. Business Debit Cards: To control petty cash expenses by obtaining separate debit cards with category-based limits for employees. Companies can obtain detailed reports of transactions, consolidate spending information and simplify expenses reporting.

7.6 Other Corporate Products

Subject to fulfilling the evaluation criteria, following facilities will be available for companies upon request:

- I. Factoring
- II. Business Loans
- III. Deposits/Investments
- IV. Corporate Credit Cards
- V. Safely Lockers
- VI. Corporate Finance

ANNEXURES



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ANNEXURE I

**Annexure I to the Directions No. 05 of 2021
(Sections 4.1.4 and 4.1.5)**

1. Exporters of Goods (Merchandise).
2. Exporters of Professional Services.
3. Persons who engage in the business of Entrepot trade as intermediaries.
4. Travel Agents and Tour Operators.
5. Hotels and Restaurants.
6. Gem and Jewelry Dealers.
7. Foreign Employment Agencies.
8. Freight Forwarders and Other logistic service providers licenced/authorised by Director General of Merchant Shipping of Sri Lanka.
9. Shipping Agents licenced/authorised by Director General of Merchant Shipping of Sri Lanka.
10. General Sales Agents licenced/authorised by Director General of Civil Aviation Authority of Sri Lanka.
11. Bunker Operators licenced by the relevant line Ministry.
12. Port Terminal Operators.
13. Airline Terminal Service Providers.
14. Food and Beverages suppliers to Shipping lines and Airlines.
15. Duty free shops (who engage in permitted business to supply goods and services under duty free concessions).
16. Indirect exporters of goods who comply with the requirements and/or recommendations of Board of Investment of Sri Lanka or Export Development Board or registered under Temporary Import & Export Processing (TIEP) scheme and importing goods for process and supply such goods to the direct exporters.

Reference

Central Bank of Sri Lanka, Department of Foreign Exchange, Directions No. 05 of 2021 under Foreign Exchange Act, No. 12 of 2017. Directions issued to Authorized Dealers on Business Foreign Currency Accounts (BFCA) <https://dfe.lk/web/images/rdevelopment/694c068f855db183b932d19b61430cae-Directions-No.%2005%20-%20Business%20Foreign%20Currency%20Accounts.pdf>

ANNEXURE II: CAPITAL TRANSACTIONS

1. What are the permitted capital transactions?

Any person resident outside Sri Lanka may proceed with the following categories of capital transactions (i.e., investments) in Sri Lanka, subject to the limitations, terms and conditions stipulated in the Regulations No. 02 of 2021.

- i) Invest in all classes of shares issued by companies incorporated in Sri Lanka subject to the exclusions and limitations imposed under the Regulations No. 2 of 2021.
- ii) Invest in non-listed debt securities with a tenure of 3 or more years issued by the companies incorporated in Sri Lanka.
- iii) Invest in debt securities issued, by licenced commercial banks, licenced specialised banks, licenced finance companies or specialised leasing companies.
- iv) Invest in listed debt securities issued in any designated foreign currency.
- v) Grant loans with a tenure of 3 or more years to companies incorporated in Sri Lanka under the Companies Act, No. 07 of 2007.
- vi) Grant loans by the parent company incorporated outside Sri Lanka to its branch office or to a project office registered in Sri Lanka, as an overseas company under the Companies Act, No. 07 of 2007.
- vii) Grant loans to the Government of Sri Lanka or to the State-Owned Enterprises.
- viii) Grant loans in foreign currency or in Sri Lanka Rupees to licenced commercial banks, licenced specialized banks, licenced finance companies and specialised leasing companies.
- ix) Grant loans with a tenure of less than 3 years to companies incorporated in Sri Lanka under the Companies Act, No. 07 of 2007, which hold Business Foreign Currency Accounts, provided that all repayments of such loans are made of foreign exchange earnings of the borrower.
- x) Invest in Units in Unit Trusts or Mutual Funds.
- xi) Invest in Government Securities (treasury bills, treasury bonds and any other securities issued by the Government of Sri Lanka).
- xii) Invest in Securities issued by the Central Bank of Sri Lanka or any state-owned enterprise or any other statutory body.
- xiii) Invest in Sri Lanka Development Bonds (SLDBs).
- xiv) Term deposits in Licenced financial institutions, by means of Sri Lankan Rupee or any designated foreign currency subject to the section 4 of the Foreign Exchange Act (FEA).
- xv) Invest in immovable properties.
- xvi) Invest in branch office or project office which engage in commercial activities with a minimum investment of USD 200,000.
- xvii) Invest in liaison office, representative office, regional office or other similar office in Sri Lanka which do engage in any non-commercial, non-trading or non-industrial activity.

2. Mechanism of Channelling Funds Pertaining to the Investments

Required funds in respect to the above investments shall be brought into Sri Lanka through an Inward Investment Account (IIA) opened by such non-resident investor with an Authorised Dealer (AD) in Sri Lanka.

Any income and capital proceeds received from such investments shall be repatriated through the same IIA, through which the investment was made.

However, the requirements of routing funds through an IIA pertaining to the investments referred items (v) to (x) are not mandatory.

3. Procedure to be followed for Proceeding the Investment

Investors shall liaise with an AD in Sri Lanka in order to open IIA and to proceed with the remittances pertaining to the permitted capital transactions in Sri Lanka.

References

Central Bank of Sri Lanka, Department of Foreign Exchange, Directions No. 15 of 2021 under Foreign Exchange Act, No. 12 of 2017. Directions issued to Authorised Dealers on Inward Investment Accounts. [07a1296365a99f7b6f6757aecc1f070b-15-of-2021.pdf \(dfe.lk\).](#)

The Gazette of the Democratic Socialist Republic of Sri Lanka, Extraordinary. No. 2213/35, 03 February 2021. Government Notifications, Foreign Exchange Act, No. 12 of 2017. The Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021. [PG 5299 - 11 \(E\) Foreign Exchange.pmd \(documents.gov.lk\)](#)

The Gazette of the Democratic Socialist Republic of Sri Lanka, Extraordinary. No. 2235/22, 6 July, 2021. Government Notifications, Foreign Exchange Act, No. 12 of 2017. Amendment to Regulations No. 2 of 2021. [PG 5488 - I - I \(E\) New.pmd \(documents.gov.lk\).](#)

ANNEXURE III:

Designated Foreign Currencies for Domestic and Offshore Banking (FCBU) Business

As per Banking Act Order, No.1 of 2022 on Banking (Off-shore Banking Business Scheme) Order dated 26/08/2022, on Designated Foreign Currencies Order made by the Monetary Board of the Central Bank of Sri Lanka with the approval of the Minister, under Sections 23, 25 and 26 of the Banking Act, No. 30 of 1988, as amended, following foreign currencies are determined as the Designated Foreign Currencies for FCBU accounts.

In addition to that, as per FEA, the same list is published as the designated foreign currencies as at 26/08/2022.

- I. Australian Dollar
- II. Canadian Dollar
- III. Chinese Renminbi
- IV. Danish Kroner
- V. Euro
- VI. Hongkong Dollar
- VII. Indian Rupee
- VIII. Japanese Yen
- IX. New Zealand Dollar
- X. Norwegian Kroner
- XI. Pound Sterling
- XII. Singapore Dollar
- XIII. Swedish Kroner
- XIV. Swiss Franc
- XV. Thai Baht
- XVI. United States Dollar

References

Banking Act, No. 30 of 1988. [Banking Act No \(cbsl.gov.lk\)](http://cbsl.gov.lk).

Central Bank of Sri Lanka, Monetary Board, Banking Act Order No. 01 of 2022, Banking (Off-shore banking business scheme) order designated foreign currencies. [Banking Act Order No 1 of 2022.pdf \(cbsl.gov.lk\)](http://cbsl.gov.lk).

ANNEXURE IV:

Glossary (Definitions as per Foreign Exchange Act (FEA), No. 12 of 2017, Sri Lanka)

Authorised Dealer - Authorised Dealer means a bank licenced under the Banking Act, No. 30 of 1988 authorised under section 4 to act as Authorised Dealer;

Capital Transaction - a transaction which is not a current transaction within the meaning of FEA;

Central Bank - Central Bank of Sri Lanka (CBSL) established by section 5 of the Monetary Law Act (Chapter 420);

Current Transaction - any international transaction necessitating a transfer of foreign exchange into or from Sri Lanka, and referred to in paragraph (d) of Article XXX of the Articles of the International Monetary Fund set out in the Schedule to FEA;

"SCHEDULE

(sections 5, 6 and 33)

INTERNATIONAL MONETARY FUND

Articles on Agreement

ARTICLE XXX

EXPLANATION OF TERMS

(d) Payments for current transactions means payments which are not for the purpose of transferring capital assets, and includes, without limitation-

- (1) all payments due in connection with foreign trade, other current business, including services, and normal short term banking and credit facilities;
- (2) payments due as interest on loans and as net income from other investments;
- (3) payments of moderate amount for amortisation of loans or for depreciation of direct investments; and
- (4) moderate remittances for family living expenses.

The Fund may, after consultation with the members concerned, determine whether certain specific transactions are to be considered current transactions or capital transactions".

Person - any natural or legal person including partnerships;

Person resident outside Sri Lanka - a person who is not a resident in Sri Lanka;

Foreign Currency - any currency other than Sri Lankan currency;

Foreign Currency Account - a foreign currency account in a licenced bank which is authorised to deal in foreign exchange;

Licenced Bank - a licenced commercial bank or a licenced specialised bank;

Licenced Commercial Bank - a bank licenced under subsection (4) of section 2 of the Banking Act, No. 30 of 1988;

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;

Residents in Sri Lanka - for the purpose of FEA,

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 licenced 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 licenced banks incorporated outside Sri Lanka (foreign banks);
 - c) Companies registered as offshore companies;
 - d) Clubs, societies or any other organisations including Non-Governmental Organisations 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.

Restricted Dealer -The Central Bank may permit, subject to the provisions of section 9 of FEA, any person, class or classes of persons (hereinafter referred to as a "restricted dealer") not being an authorised dealer, to deal in foreign exchange within Sri Lanka for the purposes specified in the permit, subject to such terms and conditions as may be imposed by the Central Bank in that behalf.

Glossary (Other Definitions)

BOI Enterprise, definition as per BOI Law No. 4 of 1978,

Enterprise - any sole proprietorship, partnership, company or co-operative society wherever registered or incorporated under any law for the time being in force relating to companies, co-operative societies or businesses and engaged in or proposing to engage in any business which in the opinion of the Commission would achieve or assist in the achievement of the objects of the Commission.

References

Board of Investment of Sri Lanka Act No. 4 of 1978. [Act_No_4_of_1978.pdf \(investsrilanka.com\)](#)

Foreign Exchange Act, No. 12 of 2017. [PL_005162 \(E\) Foreign \(Cov\) Act, No. 12 of 2017.pmd \(cbsl.gov.lk\)](#)

NOTES

Handwriting practice lines consisting of 20 sets of three horizontal lines (top, middle, and bottom) for letter formation.

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