Directions issued to Authorized Dealers on loans to Sri Lankans, resident outside Sri Lanka on Permanent Residency visa (PR) in another country and Dual Citizens

In terms of sections 3 and 5 of the Exchange Control Act, Authorized Dealers are hereby granted permission to grant loans from the Domestic Banking Units (DBUs) to Sri Lankans, resident outside Sri Lanka on PR in another country and individuals who have obtained dual citizenship in Sri Lanka and any other country irrespective of their residential status, subject to the following conditions.

1. Purpose of granting the loans
   1.1 To acquire a residential property in Sri Lanka.
   1.2 To construct/develop/renovate a residential property in Sri Lanka.

2. Loans granted in Foreign Currency (FCY loans)
   2.1 FCY loans shall be granted only if the borrower has foreign currency earnings to repay the loan and the Authorized Dealers shall assess and satisfy themselves on the ability of the borrower to repay the loan in foreign currency prior to granting the loan.
   2.2 FCY loans shall not be granted if the Authorized Dealers cannot firmly establish the repayment capacity of the borrower in foreign currency.
   2.3 A Foreign Currency Loan Account (FCLA) shall be opened in the name of the borrower, for the purposes of disbursing the loan proceeds and receiving repayments of the loan. The said account shall be closed immediately after settling the loan in full.
   2.4 Loan proceeds shall be disbursed from the FCLA in Sri Lanka Rupees unless the borrower requests to transfer the loan proceeds to foreign currency accounts maintained by persons resident in Sri Lanka, who sell residential property, provided such persons are permitted to accept foreign currency.
   2.5 The loan shall be repaid through foreign currency inward remittances or by utilizing funds available in Non-Resident Foreign Currency accounts (NRFC), Resident
Foreign Currency accounts (RFC) and Securities Investment Accounts (SIA) of the borrower.

3. Loans granted in Sri Lanka Rupees (LKR loans)
   3.1 Authorized Dealers shall grant LKR loans after assessing and satisfying on the ability to repay the loans.
   3.2 An LKR Loan Account (LLA) shall be opened in the name of the borrower for the purposes of disbursing the loan proceeds and receiving repayments of the loan.
   3.3 Loan proceeds shall be disbursed only in Sri Lanka Rupees.
   3.4 The loan shall be repaid with foreign currency inward remittances, by utilizing funds available in NRFC, RFC and SIA and by utilizing Sri Lanka Rupee earnings of the borrower.

4. Loans recovery at default
Recoveries of FCY loans in Sri Lanka Rupees shall be carried out only at a stage of such loans being classified as non-performing at least in the substandard category, in terms of the Banking Act Directions, No. 3 of 2008 (as amended), as follows:

   a) Firstly, through foreign currency assets of the borrower.
   b) Secondly, through proceeds realized from the sale of the mortgaged assets or other domestic assets.
   c) As a last resort, Sri Lanka Rupee proceeds shall be converted only up to the extent of the amount required to settle any remaining loan balance.

5. Other Conditions
   5.1 Authorized Dealers shall assess all risks associated with the loan and take appropriate prudent measures to mitigate such risks.
   5.2 Authorized Dealers shall obtain a valuation of the property from a valuer selected in terms of the prudential regulations issued under the Banking Act, prior to issuing the loan, if the loan proceeds are utilized for the construction/development/renovation in
an inherited property of the borrower or in a property owned by the borrower while being resident in Sri Lanka.

5.3 Authorized Dealers shall ensure that sale proceeds derived from property that was acquired/constructed/developed/renovated utilizing loan proceeds in terms of paragraph 5.2 are remitted outside Sri Lanka on the following basis.

a) Sale proceeds proportionate to the amount remitted to Sri Lanka to repay the loan could be remitted freely.

b) Any balance sale proceeds shall be remitted subject to the migration allowance.

5.4 A confirmation of inward remittances utilized for servicing the loan shall be issued to the borrower to facilitate future outward remittances.

5.5 Authorized Dealers shall maintain documentary evidence obtained at the time of granting the loan beyond any statutory record keeping requirement, until the loan is settled in full. Once the loan is settled, the related documentary evidence shall be maintained up to the statutory record keeping requirement.

Controller of Exchange