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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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7/8 මහල, අංක 30, ජනාධිපති මාවත,
නැ. පෙ. 590, කොළඹ 01, ශ්‍රී ලංකාව

செலாவணிக் கட்டுப்பாட்டுத் திணைக்களம்
7/8 மாடி, இல. 30 சனாதிபதி மாவத்தை கொழும்பு 1
த. பெ. இல. 590, கொழும்பு 01, இலங்கை

Exchange Control Department

Level 7/8, No. 30, Janadhipathi Mawatha, Colombo 1
P. O. Box. 590, Colombo 01, Sri Lanka.

☎ 94 11 2477244/255 ☎ 94 11 2477716



ecd@cbsl.lk



www.cbsl.gov.lk

Ref:06/04/18/2013

June 12, 2013

DIRECTIONS TO AUTHORIZED DEALERS

Dear Sirs,

Securities Investment Accounts (SIA)

As a measure of facilitating inward remittances into Sri Lanka for investment purposes, it has been decided to offer more flexible avenues to receive and repatriate funds into and out of SIA. Accordingly, authorized dealers are hereby permitted to open and operate SIA, subject to the following terms and conditions:

2. Eligible investors;

- (i) Foreign Institutional Investors (FII) including country funds, regional funds or mutual funds.
- (ii) Corporate bodies incorporated outside Sri Lanka.
- (iii) Citizens of foreign states whether resident in Sri Lanka or outside Sri Lanka.
- (iv) Non-resident Sri Lankans.

3. Credits to an SIA shall be confined to the following;

- (i) Inward remittances received from abroad directly through international banking channels.
- (ii) Transfer of funds from Non-Resident Foreign Currency accounts (NRFC), Special Foreign Investment Deposit accounts (SFIDA), Resident Non-National Foreign Currency accounts (RNNFC), Securities Investment Accounts (SIA), Non-Resident Non-National Foreign Currency accounts (NRNNFA) and accounts maintained at an Off-shore Banking Unit (OBU) by the account holder.
- (iii) Foreign Currency in the form of travellers' cheques, bank drafts or currency notes brought into the country by the account holder on declaration to Sri Lanka Customs, as applicable, during visits to Sri Lanka of the account holder and tendered in person to the authorized dealer, provided that the travellers' cheques have been issued outside Sri Lanka and the drafts issued by a bank outside Sri Lanka and endorsed in the name of the account holder.
- (iv) Funds transferred to the credit of an SIA by another authorized dealer which receives an inward remittance for the eligible investor, in which case, a written confirmation shall be issued by the authorized dealer which transfers

the funds stating that the said funds were received as an inward remittance as per paragraph 3 (i) and the authorized dealer which receives the funds so transferred shall obtain the said confirmation before crediting the funds to the SIA.

- (v) Credits specified at paragraph 5.
- (vi) Commissions and brokerages received by facilitating transactions specified in paragraph 5.
- (vii) Interest earned on funds lying to the credit of the account.

4. Debits to an SIA shall be confined to the following:

- (i) Outward remittances of funds received as credits specified at paragraph 3.
- (ii) All ancillary payments related to transactions specified at paragraph 5 including bank charges, Government taxes, stamp duty and payments to brokers, primary dealers, lead managers and management companies of unit trusts.
- (iii) Transfer of funds to NRFC, SFIDA, RNNFC, SIA, NRNNFA and accounts maintained at an OBU by the account holder.
- (iv) Debits specified in paragraph 5.
- (v) Local disbursements in Sri Lanka rupees.

5. Investment Transactions

	Type of Investment	Transactions	
		Credits	Debits
(i)	Shares (both listed and unlisted)	Dividends and proceeds on sale, liquidation, capital redemption or share buy back	Payments for shares
(ii)	Treasury bonds	Proceeds on sale or maturity, coupon	Payments to acquire Treasury bonds
(iii)	Treasury bills	Proceeds on sale or maturity	Payments to acquire Treasury bills
(iv)	Units in unit trusts	Proceeds on sale or redemption of units, dividend income	Payments to acquire units
(v)	Debentures	Proceeds on sale or maturity, interest	Payments to acquire debentures
(vi)	SFIDA	Maturity proceeds of the deposits	Placement of deposits
(vii)	Setting up of places of business as Overseas Companies (OC)	Profits, surplus funds, franchise/royalty payments	Investments in the OC or payments for maintenance of OC, as applicable

(viii)	Immovable property	Rental income, proceeds on sale	Payments to acquire and develop immovable property.
(ix)	Loans to residents extended under the External Commercial Borrowing Scheme (ECBS) or loans extended under a special permission granted by the Controller of Exchange to the borrower.	Recovery of principal, interest, fees and other payments related to the loan, funds realized from disposal of the security, any compensation awarded by a Court of Law in a legal action instituted relating to default of the loan	Disbursement of the loan, payments relating to the loan

6. Investments by Foreign Institutional Investors (FII).

6.1 In addition to the permissions granted hereinbefore, permission is hereby granted to authorized dealers to facilitate transactions related to investments by FIIs, subject to the following conditions:

- (a) The investments permitted under this paragraph shall be listed shares, listed debentures, treasury bills, treasury bonds, units in unit trusts and SFIDA.
- (b) The funds to the credit of an SIA of an FII is permitted to be routed via an account maintained in Sri Lanka by a Non-Resident Intermediary (NRI) as follows;
 - (i) In the event the NRI is a bank that is incorporated outside Sri Lanka or a branch of such bank established outside Sri Lanka, the account referred to above shall be a Vostro account or an SIA;
 - (ii) In the event of any other NRI, the account referred to above shall be an SIA.
- (c) Sale or maturity proceeds and returns received on the investments made out of the funds received under condition 6.1 (b) may be repatriated via the same process.
- (d) A bank shall not extend any accommodation to an NRI for the purpose of funding the Vostro account or SIA of such NRI.
- (e) All transactions related to above investments which were effected through Vostro accounts shall be reported on a monthly basis as per Annex I or if effected through SIA, as per paragraph 11.
- (f) Provisions in paragraph 3 (iv) and 7 (v) shall be applicable for transactions carried out under paragraph 6.

6.2 Authorized dealers shall take appropriate measures to mitigate any risk such as settlement, counterparty etc., that may arise in relation to transactions permitted under paragraph 6.1 above.

7. Other Terms and Conditions

- (i) An SIA shall be opened with the proceeds of a permitted credit specified at subparagraphs (i), (ii), (iii) and (iv) of paragraph 3.
- (ii) An SIA may be maintained in Sri Lanka rupee or in any other designated foreign currency.
- (iii) An SIA may be held jointly by eligible investors.
- (iv) An SIA shall not be overdrawn and no accommodation shall be extended to SIA holder. Further, no cheque book shall be issued against a SIA.
- (v) Outward remittance of funds permitted by paragraph 4 (i) may be effected through an authorized dealer other than the authorized dealer with whom the SIA is maintained, provided however that, a confirmation shall be obtained from the authorized dealer with whom the SIA is maintained that the funds were debited from the SIA of the customer.
- (vi) Eligible investors are permitted to purchase Treasury bonds (T-bonds) and Treasury bills (T-bills) through both primary and secondary markets provided that all such investments in aggregate do not exceed the percentage of the outstanding T- bonds or T-bills stock permitted to be held by eligible investors at any given point of time.
- (vii) Credits listed under paragraph 5 shall be effected only if the payment for the initial investment was debited from the same SIA. The authorized dealer shall keep records in evidence of the initial investment. In the event shares acquired by way of a bonus issue are sold, proceeds realized on sale of such shares are permitted to be credited to SIA provided, the payment for initial shares has been made out of the funds in the same SIA.

8. Closure of an SIA

- (i) Permission is hereby granted to close an SIA if the holder has disposed all the investments acquired through the said SIA.
- (ii) However, in the event the SIA holder requests for a closure of the SIA before disposing the investments made through the same, for the purpose of opening a new SIA or transferring funds to an SIA with another authorized dealer, the authorized dealer with whom the original SIA is held with shall forward to the authorized dealer who operates the recipient SIA, a confirmation of the outstanding investments made out of the funds in the SIA to be closed, at the request of the customer.

9. Interest may be paid on funds lying to the credit of an SIA.
10. Authorized dealers may issue bank guarantees on behalf of an eligible investor against the funds lying to the credit of an SIA of or an account maintained in the OBU by the said investor in connection with the subscription to primary issues of shares in companies in Sri Lanka.
11. Authorized dealers are required to furnish the details of the SIA on monthly basis to this Department before the 15th day of the following month as per Annex II.
12. The direction bearing Ref. No. 06/04/01/2013 dated 1st January 2013 is hereby rescinded.

Yours faithfully



Controller of Exchange

Annex I

Name of the Authorized Dealer :

Month :

Vostro Reporting in relation to Paragraph 6

Name of the Vostro Holder	A/c No.	Inward Remittances				Outward Remittances			
		Date	Amount	Source	Purpose	Date	Amount	Beneficiary	Purpose

I hereby certify that the above details are true and accurate.

Date:.....

.....

Name and signature of the Authorized Officer
and stamp

Annex II

Name of the authorized dealer:

Monthly Statement for the month of :

Name of the SIA Holder	Account No.	Currency	Credits		Debits	
			Inward Remittances	Transfers from other accounts	Outward Remittances	Transfers to other accounts

I hereby certify that the above details are true and accurate.

Date:

.....

**Name and Signature of the Authorised Officer
and Stamp**