



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

DIRECTIONS No. 11 of 2021 UNDER FOREIGN EXCHANGE ACT, No. 12 of 2017

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 Foreign Exchange (Classes of Miscellaneous Capital Transactions) Regulations No. 04 of 2021 and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are permitted to grant loans from their domestic banking units to Sri Lankans, resident outside Sri Lanka on PR in another country and individuals who have obtained dual citizenship in Sri Lanka, irrespective of their residential status (hereinafter referred to as ‘borrowers’), subject to the following.

2. Purposes of granting the loans

- 2.1 To acquire a residential property in Sri Lanka.
- 2.2 To construct/ develop/ renovate a residential property in Sri Lanka.

3. Loans in Foreign Currency (FCY loans)

- 3.1. FCY loans shall be granted after assessing the credit risk of such loans, particularly considering the borrower’s ability to repay the loans in foreign currency.
- 3.2. 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. FCLA shall be closed immediately upon settling the loan in full.
- 3.3. Loan proceeds shall be disbursed from FCLA in Sri Lanka Rupees except in the event where borrower is a resident outside Sri Lanka and requests AD to transfer such loan proceeds to a Business Foreign Currency Account or an account maintained in the Offshore Banking Unit (OBU) of a property developer who engage in the business of sale of property in Sri Lanka and are permitted to accept foreign currency.
- 3.4. FCY Loans shall be repaid in foreign currency through inward remittances or by utilizing funds available in Personal Foreign Currency Accounts (PFCAs), Inward Investment Accounts (IIAs) or accounts maintained in the OBU of the borrower.



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4. Loans in Sri Lanka Rupees (LKR loans)

- 4.1. LKR loans shall be granted after assessing the credit risk of such loan, particularly considering the borrower's ability to repay the loan.
- 4.2. A "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.
- 4.3. Loan proceeds shall be disbursed only in Sri Lanka Rupees.
- 4.4. LKR loans shall be repaid in foreign currency inward remittances or by utilizing funds available in PFCAs, IIAs, Emigrants' Remittable Income Account (ERiAs) or accounts maintained in the OBU of the borrower. For this purpose, payments made from IIA – Sri Lanka Rupee accounts and ERiAs are deemed recognized as inward remittances.

5. Recovery of Loans

- 5.1. Recoveries of loans, in Sri Lanka Rupees (in the event of a default) shall be carried out only at a stage where such loans have been classified as non-performing at least in the sub-standard category in terms of the Banking Act Directions No. 3 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning, as amended, subject to fully utilizing foreign currency assets including balances in the foreign currency accounts of the borrower. In this event, ADs shall satisfy themselves that the borrowers have been taken all measures to recover loans in foreign currency.
- 5.2. Except for otherwise provided for in these Directions ADs are not permitted recover defaulted loans, in Sri Lanka Rupees.

6. Other Conditions

- 6.1. ADs shall assess all risks associated with the loans and take appropriate prudent measures to mitigate such risks.
- 6.2. Where the property is held as collateral for the borrowing, ADs shall obtain a valuation of such property from a valuer selected in terms of the Prudential Regulations issued under the Banking Act, No. 30 of 1988, prior to granting the loan; if such loan proceeds are utilized for the construction/development/renovation of an inherited property of the borrower or for the acquisition of a property by the borrower while he/she was a resident in Sri Lanka.

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- 6.3. ADs shall ensure that sale proceeds derived from property that was acquired /constructed/developed/renovated utilizing loan proceeds in terms of these Directions, are remitted outside Sri Lanka (upon settling the loan outstanding in full) on the following basis.
- a) Sale proceeds proportionate to the amount remitted to Sri Lanka (including funds transferred from the borrowers' PFCAs, IIAs, ERIAs or accounts maintained in the OBU for repayment of loans) to repay the loan could be remitted freely, through an IIA.
 - b) Any balance sale proceeds shall be remitted subject to the eligible migration allowance.
- 6.4 ADs shall issue a confirmation of inward remittances utilized for servicing the loan to the borrower to facilitate future outward remittances in respect of the sale proceeds of such property.
- 6.5 ADs shall maintain documentary evidence obtained at the time of granting the loans beyond any statutory record keeping requirement, until such loans are fully settled. Once loans are settled, the related documentary evidence shall be maintained either in physical or electronic form up to the statutory record keeping requirement.
- 6.6. ADs shall furnish monthly statements of loans granted under these Directions to the Director-Department of Foreign Exchange as per **Annex I** on or before the 15th day of the following month by email to **dfem@cbsl.lk**.
7. Terms and conditions and recovery of loans that have been granted to Sri Lankans, resident outside Sri Lanka on PR in another country and Dual Citizens under the provisions of the repealed Exchange Control Act or Regulations and Directions issued under the provisions of the FEA previous to these Directions, shall also be effected in terms of these Directions.
8. Directions No. 11 of 2017 dated 20 November 2017 issued to ADs specifying requirements related to granting of loans to Sri Lankans, resident outside Sri Lanka on PR in another country and Dual Citizens, are hereby rescinded.
9. The revocation of previous Directions referred to in Paragraph 8. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.



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10. Nothing permitted by these Directions shall be construed as exempting, absolving or preventing ADs or any person dealing in foreign exchange under these Directions, from the requirement to comply with the provisions of any other law.
11. These Directions shall come into operation with effect from **22 March 2021**.

Director-Department of Foreign Exchange

18 March 2021

Monthly Statement of Loans to Sri Lankans Resident Outside Sri Lanka on PR in Another Country and Dual Citizens

Name of the Bank:

Reporting Month & Year:

Table 1: Loans- Performing

Type of Loan	No. of loans as at beginning of the month	Outstanding Balance as at beginning of the month	Disbursements during the month		Repayments (Capital)		No. of loans as at end of the month	Outstanding Balance as at end of the month
			LKR	FCY* (in USD)	LKR**	FCY (in USD)		
FCY (in USD)								
LKR								

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

** In the event where the loan is denominated in LKR, repayments can be made through the fund transfers from ERIA or IIA Ruppee account

Table 2: Loans- Non Performing

Name of the Borrower	Loan Denomination		Currency Code	Loan Amount		Amount Defaulted in FCY (in USD)	Recoveries in LKR during the month	Outstanding balances as at end of the month in LKR
	FCY (in USD)	LKR		FCY (in USD)	LKR			

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

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

Name & Designation of the Authorized Officer :..... Name of the Compliance Officer :.....

Signature & Seal :..... Signature :.....

Date :..... Date :.....