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The Gazette of the Democratic Socialist Republic of Sri Lanka

EXTRAORDINARY

අංක 2235/22 - 2021 ජූලි මස 06 වැනි අඟහරුවාදා - 2021.07.06

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PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA,
Minister of Finance.

Colombo,
06th July, 2021

Regulations

The Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 published in the *Gazette Extraordinary* Notification No. 2213/35 dated 03 February 2021 issued under the Foreign Exchange Act, No. 12 of 2017 (the regulations), are hereby amended as follows:

- (1) Item (g) of sub paragraph (8) of the paragraph 1 under heading A of the Part I of the Schedule of the regulations, is hereby repealed and replaced with the following :
 - (g) “debt securities in Sri Lanka Rupees listed in the Colombo Stock Exchange”.
- (2) Following is inserted as item (h) of sub paragraph (8) to the paragraph 1 under heading A of the Part I of the Schedule of the regulations :
 - (h) “debt securities in any designated foreign currency listed in the Colombo Stock Exchange”



- (3) Following is inserted as sub paragraph (11) of the paragraph 1 under heading A of the Part I of the Schedule of the regulations.
- (11) “subject to the exclusions and limitations stated in paragraphs 7 and 8, under heading A of this Part of the Schedule, to acquire, hold or divest all classes of shares in any designated foreign currency (including the shares under an entitlement to shares or conversions to shares) listed in the Colombo Stock Exchange and issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007”.
- (4) Following is inserted as sub paragraph (9) of the paragraph 4 under heading A of the Part I of the Schedule of the regulations.
- (9) “Under no circumstances, the said listed shares or listed debt securities issued in any designated foreign currency by companies in Sri Lanka, under item (h) of sub paragraph (8) and sub paragraph (11) of paragraph 1 under heading A of the Part I of the Schedule, are permitted to be sold to any person resident in Sri Lanka excluding non-nationals who are residing in Sri Lanka and making such investments through Inward Investment Accounts.”
- (5) The following is inserted as sub paragraph (10) of the paragraph 4 under heading A of the Part I of the Schedule of the regulations.
- (10) “Further conditions apply for investments made in listed shares and listed debt securities in any designated foreign currency.
- (a) Company shall be a foreign exchange earner that had continuous foreign exchange earnings at a minimum level of 50% of the total annual revenue of the company which is at least equivalent to a minimum of USD 5 million, as per the audited financial statements for the three years immediately preceding the listing in the Colombo Stock Exchange (*i.e.*, the investee). The investee so eligible under these regulations shall have prospective earnings in foreign exchange at the same level.
- (b) The consideration of the investment in listed shares issued in any designated foreign currency received through the Inward Investment Account of the non-resident investor shall be credited into a Special Foreign Currency Account opened and maintained by the investee with an authorized dealer subject to the directions issued by the Central Bank.
- (c) An amount equivalent to 60% of the proceeds referred under item (b) of sub paragraph 10 above may be utilized for any capital transaction of the investee, outside Sri Lanka.
- (d) The investee shall require to repatriate any income or capital proceeds of the said investments made through the Special Foreign Currency Account as permitted in these regulations, into Sri Lanka, to the credit of the same Special Foreign Currency Account through which said investments were made, opened and maintained by the investee with an authorized dealer subject to the directions issued by the Central Bank, within one month from the date of receipt of the payment.
- (e) An amount equivalent to the portion of 50% of capital gain of proceeds so received may be utilized for any capital transactions outside Sri Lanka through the Special Foreign Currency Account. Any income or capital proceeds of such continued investments also shall be subject to the condition under item (d) of the sub paragraph (10) above.
- (f) The consideration of the investments in listed debt securities issued in any designated foreign currency received through the Inward Investment Account of the non-resident investor shall be credited into the Special Foreign Currency Account opened and maintained by the investee with an authorized dealer subject to the directions issued by the Central Bank.

- (g) Any income or maturity proceeds on the listed debt securities or listed shares, issued in any designated foreign currency shall be paid only out of the foreign exchange earnings of the investee held in the Special Foreign Currency Account opened and maintained with an authorized dealer subject to the directions issued by the Central Bank.
- (h) The investee shall adhere to the rules and regulations of the Colombo Stock Exchange issued in this regard.”.

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