



**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA
DIRECTIONS No. 15 of 2017 UNDER FOREIGN EXCHANGE ACT, No. 12 of 2017**

Directions issued to Authorized Dealers on Bank Guarantees or Bonds, Standby Letters of Credit and Corporate Guarantees

In terms of the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorized Dealers) Regulations No 01 of 2017 (regulations on capital transactions) and Section 9 (2) of the Foreign Exchange Act, No. 12 of 2017, Licensed Commercial Banks as Authorized Dealers are permitted to issue and renew bank guarantees, bonds, standby letters of credit and make payments in relation to corporate guarantees subject to the following.

2. Licensed Commercial Banks as Authorized Dealers shall obtain evidence in proof of the underlying transaction (as required), which shall be a transaction permitted in terms of permission granted under the provisions of the Act.
3. Licensed Commercial Banks as Authorized Dealers shall evaluate and ensure the financial strength of the company to meet any contingent liability arising out of the guarantee to be issued.
4. In the event of issuing;
 - 4.1 Advance payment guarantees,
 - (a) the guarantee value shall be less than or equal to the value of the advance payment received by the resident in Sri Lanka from the person resident outside Sri Lanka,
 - (b) the guarantee shall include a condition that it will be valid only after the receipt of the advance payment from the resident outside Sri Lanka to the accounts in Sri Lanka of the person resident in Sri Lanka,
 - 4.2 Performance bond, it shall be subject to proof of award of the contract and conditions stipulated therein.
 - 4.3 Bid bond, it shall be subject to the conditions stipulated in the tender or quotation.



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5. Licensed Commercial Banks as Authorized Dealers shall obtain an affidavit from the company to the effect that no guarantee has been obtained from any other Licensed Commercial Banks as Authorized Dealer for the same purpose.
6. Licensed Commercial Banks as an Authorized Dealer shall obtain 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 of the conditions imposed in these directions other than the documents mentioned in these directions.
7. Valid Claims
 - 7.1 Licensed Commercial Banks as Authorized Dealers are also permitted to make outward remittances arising from valid claims in respect of the Bank Guarantees, Bonds, Standby Letters of Credit and Corporate Guarantees permitted in the aforementioned Gazette upon satisfying with the bona-fide of the underlying transaction.
 - 7.2 The maximum amount of the valid claim under a guarantee shall be limited to the proportion of the outstanding obligation of the underlying capital transaction. In the event, a valid claim of a guarantee issued on behalf of a company incorporated in Sri Lanka (i.e. investor) in favour of a company incorporated outside Sri Lanka (i.e. investee), the maximum amount of the claim shall be proportionate or lower to the percentage of shareholding of the investor in the investee of the outstanding obligation at the time of the claim.
8. **Reporting to the Department of Foreign Exchange:** A quarterly Report on guarantees issued by the Licensed Commercial Banks as an Authorized Dealer as permitted in the regulation on capital transaction as per the Annex I on or before 15th day of the following month. The scanned copy of the report shall be forwarded via dfem@cbsl.lk.

A handwritten signature in black ink, appearing to be 'H. H. Jayasinghe'.

Director - Department of Foreign Exchange

20 November 2017



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Annex I

Report on Guarantees

Name of the Authorized Dealer:

Year/Quarter:

1. Guarantees

No. of Guarantees issued	No. of Guarantees retired	Outstanding Value

2. Details of the outward remittances made under the claims, if any:

Name of the company	Date and Amount of Remittance	Nature of the claim	Type of the guarantee (Corporate/ Advance Payments/ Standby Letter of Credit, etc)

I certify that the information given above is true and accurate.

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Date

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Name and Signature of the Authorized Officer