



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

**DIRECTIONS No. 11 of 2017 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 Capital Transactions in Foreign Exchange carried on by Authorized Dealers) Regulations No. 01 of 2017 and Section 9 (2) of the Foreign Exchange Act, No. 12 of 2017 (the Act), Authorized Dealers 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 and any other country, irrespective of their residential status, subject to the following.

**2. Purpose 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 granted in Foreign Currency (FCY loans)**

- 3.1 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.
- 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 after settling the loan in full.
- 3.3 Loan proceeds shall be disbursed from 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 develop residential property, provided such persons are permitted to accept foreign currency.
- 3.4 The loan shall be repaid through foreign currency inward remittances or by utilizing funds available in Personal Foreign Currency Accounts (PFCAs) and Inward Investment Accounts (IIAs) of the borrower.



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**4. Loans granted in Sri Lanka Rupees (LKR loans)**

- 4.1 Authorized Dealers shall grant LKR loans after assessing and satisfying on the ability to repay the loans.
- 4.2 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.
- 4.3 Loan proceeds shall be disbursed only in Sri Lanka Rupees.
- 4.4 The loan shall be repaid with foreign currency inward remittances, by utilizing funds available in PFCAs and IIAs and by utilizing Sri Lanka Rupee earnings of the borrower.

**5. Recovery of loans in foreign currency or in Sri Lanka Rupees at default shall be in terms of the regulations.**

**6. Other Conditions**

- 6.1 Authorized Dealers shall assess all risks associated with the loan and take appropriate prudent measures to mitigate such risks, including obtaining adequate security in the form of mortgage over freehold property or in the form of lien on foreign currency deposits or assets.
- 6.2 Authorized Dealers shall obtain a valuation of the property from a valuer selected in terms of the prudential regulations issued under the Banking Act, No. 30 of 1988, 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.
- 6.3 Authorized Dealers shall ensure that sale proceeds derived from property that was acquired/constructed/developed/renovated utilizing loan proceeds in terms of Paragraph 6.2 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.



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- 6.4 Authorized Dealers shall issue a confirmation of inward remittances utilized for servicing the loan to the borrower to facilitate future outward remittances.
- 6.5 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.
- 6.6 Authorized Dealers 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 15<sup>th</sup> day of the following month by email to [dfem@cbsl.lk](mailto: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, No. 24 of 1953 shall be effected in terms of these Directions.

A handwritten signature in black ink, appearing to be 'Hema', with a long horizontal flourish extending to the left.

**Director-Department of Foreign Exchange**

**20 November 2017**

**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: .....

Type of Loan	Name of the borrower	Date of granting the Loan	Type of Currency	Amount Granted	Purpose of the Loan
<b>Foreign Currency Loan</b> (Indicate the type of foreign currency )					
<b>Sri Lanka Rupee Loan</b>					

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

Name of the Authorized Officer :.....

Signature :.....

Date :.....

Name of the Compliance Officer :.....

Signature :.....

Date :.....