



**DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA**
DIRECTIONS No. 02 OF 2018 UNDER FOREIGN EXCHANGE ACT, No. 12 of 2017

Directions Issued to Authorized Dealers on Inward Investment Accounts (IIAs)

Authorized Dealers are hereby granted permission to facilitate transactions related to investments by Foreign Institutional Investors (FII) subject to the following terms and conditions in addition to the terms and conditions specified in Directions No. 13 of 2017 dated 20th November 2017 issued in terms of the Foreign Exchange Act. No 12 of 2017.

- i. The funds to the credit of an IIA of an FII is permitted to be routed via an account maintained in Sri Lanka by a Non-Resident Intermediary (NRI) as follows;
 - a) In the event an 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 IIA;
 - b) In the event of any other NRI, the account referred to above shall be an IIA.
- ii. Sale or maturity proceeds and returns received on the investments made out of the funds received under paragraph i. above may be repatriated via the Vostro account or an IIA following the same way that the investment was routed.
- iii. Authorized Dealers shall not extend any accommodation to an NRI for the purpose of funding the Vostro Account or IIA of such NRI.
- iv. All transactions related to above investments which are effected through Vostro Accounts/IIA shall be reported to the Department of Foreign Exchange in accordance with the reporting requirement specified in paragraph 6 of Directions No. 13 of 2017.
- v. Authorized dealers shall take appropriate measures to mitigate any risk such as settlement, counterparty etc., that may arise in relation to permitted transactions.

Director - Department of Foreign Exchange
21 December 2018