



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

DIRECTIONS No. 09 OF 2021 UNDER FOREIGN EXCHANGE ACT, No. 12 of 2017

Directions issued to Authorized Dealers on Accommodations to Business Foreign Currency Accounts (BFCAs) holders

In terms of Section 9 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are permitted to extend accommodations in foreign currency from their domestic banking units to holders of BFCAs (hereinafter referred to as 'borrowers'), subject to the following.

2. Purposes of granting Accommodations

- 2.1 To utilize for any purpose in Sri Lanka.
- 2.2 To make payments in respect of current transactions of the borrower.

3. Accommodations shall be extended only to holders of BFCAs being earners in foreign exchange who have established, to the satisfaction of the AD, that the borrower receives regular cash flows in foreign exchange during its normal course of business to service the loan in full, on time.
4. ADs shall prudently assess the credit risk, particularly on the ability of the BFCA holders to service such accommodations out of their existing or expected foreign exchange cash flows and shall maintain records to support their assessment.
5. A '**BFCA Loan Account**' (BLA) shall be opened in the name of the borrower for the purpose of disbursing/ crediting the loan proceeds. Debits and credits of BLA shall be confined to the following.

5.1. Permitted Credits to BLA

- a. proceeds of accommodations disbursed in foreign currency by the AD in terms of these Directions.
- b. transfer of funds from a BFCA or an account maintained in Off-shore Banking Unit (OBU) of the borrower, for the purpose of servicing/ repayment of accommodations under these Directions.
- c. in the event where BFCA holder obtained a short-term borrowing from a person resident outside Sri Lanka (i.e. foreign lender); inward remittances or transfer of funds from and an Inward Investment Account (IIA) or an account maintained in the



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CENTRAL BANK OF SRI LANKA**

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OBU of the foreign lender being loan proceeds.

5.2. Permitted Debits to BLA

- a. outward remittances in respect of current transactions of the borrower.
 - b. repayment of the accommodations obtained under these Directions.
 - c. remittance/ transfer of funds to an account maintained outside Sri Lanka or an IIA or an account maintained in the OBU of the lender, for the purpose of servicing/repayment of the loans obtained as stated in the Paragraph 5.1. c. above of these Directions.
 - d. transfer of funds to an account maintained in the OBU of the borrower for the settlement of other accommodations obtained by the borrower from the OBU.
 - e. disbursement in Sri Lanka in Sri Lanka Rupees.
- 6.** ADs (i.e., lender) may also extend accommodations under these Directions to the borrowers upon obtaining a Bank Guarantee (BG) or a Standby Letter of Credit (SBLC) from another AD (i.e., issuer) favoring the lender, where such BG/ SBLC is issued against funds held in the BFCA of the borrower maintained with the issuer, as per the Directions No. 20 of 2021 dated 18 March 2021 on Issuance and Renewal of Guarantees in respect of current and capital transactions and subject to the terms and conditions of these Directions.

7. Recovery of Accommodations

- 7.1.** ADs shall carry out recovery of accommodations in Sri Lanka Rupees, as a last resort where necessary, when recovery of such accommodations in foreign currency is remote. In this regard ADs shall;
- a. require converting the foreign currency denominated accommodations into Sri Lanka Rupee denominated accommodations.
 - b. satisfy and required to maintain necessary documentary evidence to the effect that borrowers do not receive sufficient foreign exchange cashflows from its normal course of business to service the accommodations/ installments thereof, full on time, as agreed in the respective agreements.



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CENTRAL BANK OF SRI LANKA**

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8. Other Conditions

- 8.1. ADs shall ensure that under no circumstance, proceeds of accommodations in foreign currency granted to the borrowers and short-term foreign currency loans obtained from overseas by such borrowers, be utilized for capital transactions outside Sri Lanka.
- 8.2. In addition to granting accommodations to BFCA holders in terms of these Directions, a BLA may be opened for the purposes specified in Paragraphs 5.1. c. and 5.2. c. of these Directions, subject to other terms and conditions as specified in the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
- 8.3. ADs shall maintain documentary evidence obtained at the time of granting the accommodations beyond any statutory record keeping requirement, until such accommodations are fully settled. Once accommodations are settled, the related documentary evidence shall be maintained either in physical or electronic form up to the statutory record keeping requirement from the date of the full settlement.
- 8.4. ADs shall furnish monthly statements on accommodations extended under these Directions to the Director-Department of Foreign Exchange as per the **Annex I** on or before the 15th day of the following month by email to **dfem@cbsl.lk**.
- 8.5. Terms and conditions and recovery of accommodations that have been granted to foreign exchange earners under the provisions of the repealed Exchange Control Act or the Regulations and Directions issued under the provisions of the FEA previous to these Directions, shall also be effected in terms of these Directions.

9. For the purposes of these Directions

- (a) “**Accommodations**” shall have the same meaning as per the Banking Act Directions No. 03 of 2008 on Classification of Loans and Advances, Income Recognition and Provisioning and any amendment thereto;
- (b) “**Current transactions**” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;
- (c) “**Capital transactions**” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;



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CENTRAL BANK OF SRI LANKA**

DIRECTIONS No. 09 OF 2021 UNDER FOREIGN EXCHANGE ACT, No. 12 of 2017

- (d) “**Remittances**” shall include telegraphic transfers, other interbank transfers, bank drafts, other payment instruments, payments received via other internationally accepted payment mechanisms or platforms and funds received from exchange companies/ houses in foreign currency from abroad, other than currency notes;
- (e) “**Short term borrowings**” shall refer to the loans obtained from a resident outside Sri Lanka (i.e. foreign lender) for a tenor of less than three years by the BFCA holder as permitted by the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 02 of 2021.
- 10.** Directions No. 09 of 2017 dated 20 November 2017 and Directions No. 03 of 2020 dated 03 April 2020 issued to ADs specifying requirements related to loans to BFCA holders, are hereby rescinded.
- 11.** The revocation of previous Directions referred to in Paragraph 10. above shall not affect any rights accrued on or penalties or liabilities incurred, under them prior to the revocation.
- 12.** 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.
- 13.** These Directions shall come into operation with effect from **22 March 2021**.

Director-Department of Foreign Exchange

18 March 2021

Monthly Statement of Accommodations to Business Foreign Currency Accounts (BFCAs) holders

Name of the Bank:

Reporting Month & Year:

Table 1: Accommodations- Performing

Type of Currency	No. of accommodations at the beginning of the month	Outstanding Balance as at beginning of the month	Disbursements during the month	Repayments (Capital)	No. of accommodations at the end of the month	Outstanding Balance as at end of the month
AUD						
CAD						
CHF						
Other designated foreign currency *						

* You may extend the rows needed for other designated foreign currencies

Table 2: Details of the BFCA Loan Accounts (BLA)

Credits			Debits			
Proceeds of accommodations	Transfers from BFCA or OBU for repayments	Total	Outward remittances in respect of current transactions	Transfer of funds to an account in the OBU	Disbursements in LKR	Total

Table 3: Recovery of Accommodations

Name of the Borrower	Loan Account No.	Currency Code	Loan amount granted in FCY (in USD)	Tenor of the Loan	Amount Defaulted in FCY (in USD)	Amounts Recovered in LKR as a last resort		Outstanding Loan balances as at End of the Month in LKR
						As Loan Installments	As Loans balances in Full (upon converted to LKR denominated loans)	

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 :