



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

DIRECTIONS No. 14 of 2017 UNDER FOREIGN EXCHANGE ACT, No. 12 of 2017

Directions issued to Authorized Dealers on Outward Investment Accounts

In terms of Foreign Exchange (Opening and Maintenance of Foreign Exchange Accounts for the purpose of engaging in Capital Transactions) Regulations No. 02 of 2017 (the regulation on accounts) and Section 9 (2) read Section 7 of the Foreign Exchange Act, No. 12 of 2017 (the Act), Licensed Commercial Banks as Authorized Dealers are permitted to open and maintain Outward Investment Accounts (OIA), subject to the following conditions and as permitted in the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorized Dealers) Regulation No. 01 of 2017 (the regulation on capital transactions).

2. Eligible Persons

Eligible persons to open OIAs are specified in the regulation on accounts.

3. Permitted Credits

3.1 Permitted credits of OIAs are specified in the regulation on accounts.

3.2 In terms of the authority granted to the Central Bank of Sri Lanka, following credits are permitted to OIAs in addition to the credits specified in the regulation on accounts.

(a) Transfers from another OIA of the account holder.

(b) Remittances received as dividends, proceeds on sale and maturity, capital gains, liquidation proceeds, capital reductions receivable on shares, sovereign bonds, units and debt securities, profits, margins and surplus funds, management fees, consultancy fees and commissions or any other related receipts etc. (including any subsequent shares devolving on the investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion), received in respect of capital transactions undertaken outside Sri Lanka by persons resident in Sri Lanka under an permission granted in terms of the provisions of the Act or the repealed Exchange Control Act, No. 24 of 1953, where such capital transactions have been made out of Personal Foreign Currency Accounts (PFCAs) or Business Foreign Currency Accounts (BFCAs) of the account holder.



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4. Permitted Debits

4.1 Permitted debits of OIAs are specified in the regulation on accounts.

4.2 In terms of the authority granted to the Central Bank of Sri Lanka, following debits are permitted to the OIAs in addition to the debits specified in the regulation on accounts.

(a) Transfers to another OIA of the account holder.

(b) Transfers to Rupee Accounts of the account holder.

(c) Transfers to PFCAs and BFCAs of the account holder out of the dividends, proceeds on sale and maturity, capital gains, liquidation proceeds, capital reductions receivable on shares, sovereign bonds, units and debt securities, profits, margins and surplus funds, management fees, consultancy fees and commissions or any other related receipts etc. (including any subsequent shares devolving on the investor by virtue of a corporate action by the issuer, exercise of a right, entitlement or conversion), received from an overseas capital transaction (i.e., outward investment) into an OIA, where the investment had been made out of the funds transferred in to an OIA from such PFCAs or BFCAs or by directly debiting such PFCAs or BFCAs.

5. Other Conditions

5.1 OIA should be operated as a foreign currency account in the Domestic Banking Unit in any designated foreign currency.

5.2 An OIA shall not be held jointly by eligible investors.

5.3 Resident investor shall open and maintain all OIAs with one Licensed Commercial Bank as the Authorized Dealer.

5.4 Rupee proceeds should be converted into foreign currency and be credited to OIA only after the fulfillment of all the requirements stipulated in the regulations on capital transactions and subject to the conditions of these directions by the resident investor. Under no circumstances such funds shall be retained in OIA without making the investment.



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- 5.5 Transactions specified in Sub-Paragraph (a) (c) (d) of Paragraph 2.(4) of Schedule II of the regulations on accounts and Sub-Paragraph (a) of Paragraph 2.(5) of Schedule II of the regulations on accounts shall be made with reference to regulations on capital transactions and subsequent regulations may be issued from time to time or special permission granted in terms of the provisions of the Act.
- 5.6 Payments specified in Sub-Paragraph (a) of Paragraph 2.(5) of Schedule II of regulations on accounts shall be remitted to an account of the overseas company (i.e. investee) or to the account of the seller of the permitted security (through stock broker in the case of investee is listed on a Stock Exchange) or to an account held by the resident investor in that country (according to the legal requirement of that country on foreign investments) or to the account of the appointed secretary or registrar of the investee in the event the investee is in the process of incorporation.
- 5.7 Transfers specified in Sub-Paragraph (c) of Paragraph 2.(5) of Schedule II of the regulations on accounts and Sub-Paragraph (iii) of Paragraph 4(b) of this direction shall be proportionate to the amount of the investment made utilizing funds in PFCAs or BFCAs of the account holder.
- 5.8 In the event a resident investor intends to remit funds for an additional investment into an investee through an OIA, where a part of the investment has been already made via an OIA, the proposed additional investment shall be routed via the same OIA through which the initial investment was made.
- 5.9 Licensed Commercial Banks as Authorized Dealers shall ensure that any outward remittance from an OIA shall be effected only after the submission of documents at Annex I by a resident investor and are subject to the applicable limits specified in regulations on capital transactions or a special permission granted under the provisions of the Act.
- 5.10 Licensed Commercial Banks as Authorized Dealers shall obtain an affidavit (as applicable) to ensure the following.



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(a) The resident investor has not opened any other OIAs with another Licensed Commercial Bank as Authorized Dealer.

(b) In case of an investment to be carried out by an individual person or a partnership, that the individual person or partners are resident in Sri Lanka in terms of the Order issued under Section 31(3) of the Act.

5. 11 Licensed Commercial Banks as Authorized Dealers 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 ensure the compliance to the conditions imposed in these directions in addition to the documents mentioned in these directions.

5. 12 In case the outward remittance for the proposed investment has not been made due to any reason after obtaining the clearance letter mentioned in the sub paragraph (c) of paragraph 1 of Annex I, Licensed Commercial Bank as the Authorized Dealer shall inform the same immediately to the Director- Department of Foreign Exchange via dfem@cbsl.lk.

5. 13 Licensed Commercial Banks as Authorized Dealers shall close OIA only after disposing all the investments acquired by the account holder through the said OIA and shall inform the same to the Director- Department of Foreign Exchange along with the details on the disposal of all investments made through the same OIA.

6. Reporting to the Director- Department of Foreign Exchange

6. 1 Licensed Commercial Banks as Authorized Dealers shall furnish the details of OIA to this department on a daily basis via <https://www.cbsl.lk/forexnet>.

6. 2 Licensed Commercial Banks as Authorized Dealers shall implement a system within the bank in order to generate or extract the relevant information from the books of accounts of their respective banks, as per the above reporting requirements.



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- 6.3 Licensed Commercial Banks as Authorized Dealers shall incorporate verification of accuracy and completeness of information submitted electronically to the Department of Foreign Exchange, in its internal audits, periodic reviews and compliance programs and evidence to that effect shall readily be available for inspection by Department of Foreign Exchange.
- 6.4 Licensed Commercial Banks as Authorized Dealers shall obtain the documents at Annex II from the resident investor and submit such documents to the Director of Foreign Exchange within stipulated time period.

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

Director- Department of Foreign Exchange

20 November 2017



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Annex I

1. Following documents should be obtained for all outward investments under this direction.
 - (a) Request including the information at Annex III
 - (b) Recommendation by a Fellow Member of the Institute of Chartered Accountants of Sri Lanka in the format at Annex IV.
 - (c) Clearance from the Department of Foreign Exchange to the effect that there is no pending investigation under the provisions of the Foreign Exchange Act No.12 of 2017 or the repealed Exchange Control Act, No. 24 of 1953 (for each outward remittances for the investments).
 - (d) In the event a special permission has been granted for the resident investor to open and maintain OIAs with one or more Licensed Commercial Bank as Authorized Dealer (Secondary Bank/s), a confirmation from the Secondary Bank/s on the total amount of the investments made via said OIAs of the resident investor maintained at Secondary Bank/s to ascertain the compliance to the permitted limits for the period (as applicable).

2. In addition to above, following category-specific documents should also be obtained.
 - A. Companies registered under the Companies Act, No. 07 of 2007 other than a company limited by guarantee.
 - (a) Certified copy of the Certificate of Incorporation and Memorandum and Articles of Association.
 - (b) The Resolution passed by the Board of Directors of the company on the approval for proposed investment.

 - B. A partnership registered in Sri Lanka.
 - (a) Certified copy of the partnership agreement and registration.
 - (b) Tax clearances to cover the amount of investment by each partner (as required by the Inland Revenue Department).

 - C. An individual resident in Sri Lanka.
 - (a) Documentary evidence for the proof of the residential status.
 - (b) Tax Clearance to cover the investment amount (as required by the Inland Revenue Department).



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Annex II

1. Within three months from the outward remittance of foreign exchange:
 - (a) Certificate of Incorporation, Memorandum and Articles of Association of the new company incorporated outside the country in case of an investment in the shares of an unlisted company.
 - (b) Registration Certificate of Overseas Offices.
 - (c) Copies of the share certificates issued or any other evidence in respect of a share investment in an unlisted corporate incorporated outside Sri Lanka.
 - (d) Copies of share investment/enrolment certificates issued to all resident employees who subscribed to an Employee Share Option Scheme.
 - (e) Statements from relevant Central Depository Systems of overseas Stock Exchanges with regard to the investments in listed shares of companies incorporated outside Sri Lanka and sovereign bonds issued by foreign governments and government organizations.
 - (f) Copies of the certificates for the enrollment of units/debt securities issued outside Sri Lanka
2. On an annual basis,
 - (a) Audited accounts of the unlisted overseas companies and overseas offices.
 - (b) Statements from relevant Central Depository Systems of overseas Stock Exchanges with regard to the investments in listed shares of companies incorporated outside Sri Lanka and sovereign bonds issued by foreign governments and government organizations.



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Annex III

Information on Investments Abroad

1. General Information

- (a) Name of the Company/Partnership/Individual:
- (b) Business Registration No./National Identity Card No./Passport No. only if the resident investor is a foreign national person resident in Sri Lanka and does not possess a valid National Identity Card:

2. Details on Foreign Investment (as applicable)

2.1 Investment in shares/ sovereign bonds/ units/ debt securities;

- i. Total amount to be Invested (in USD) ;
- ii. Name of Overseas Company/issuer and country ;
- iii. Number of shares/ bonds/ units/ debt securities to be acquired ;
- iv. Price of a share/ bond/ unit/ debt security ;
- v. Date of maturity ;
- vi. Rate of Interest ;
- vii. Sovereign credit rating of the issuing entity ;

2.2 Investments for Setting up and maintenance of Overseas Offices

- i. Total amount to be Invested in USD ;
- ii. Type and purpose of Overseas office and country ;

I hereby declare that the above information is true and accurate to the best of my knowledge.

Director:

Director:



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Annex IV

Recommendation by a Fellow Member of the Institute of Chartered Accountants for the release of foreign exchange for the purposes of the Regulation issued in terms of the Foreign Exchange Act, No. 12 of 2017

To: Manager

Branch:

Name of the Licensed Commercial Bank as an Authorized Dealer:

I hereby confirm that the below investment was analyzed by me on the basis of the criteria laid down by the Head of the Department of Foreign Exchange of Central Bank of Sri Lanka in that regard and recommend the said investment details of which are set out below.

1. General Information

- (a) Name of the Investor:
- (b) Amount in USD (or equivalent amount in other designated foreign currencies):

2. Details of the Investment (as applicable)

- (a) Name of the investee and Country:
- (b) Type of the investment (shares/sovereign bonds/units/debt securities/ overseas office):
- (c) If it is an overseas office, purpose of the overseas office:
- (d) No. of shares/ sovereign bonds/units/ debt securities etc.:
- (e) Price per share sovereign bonds/units/ debt securities etc.:
- (f) Date of maturity:
- (g) Rate of Interest:
- (h) Special Remarks (if any):

Signature:

Date: