



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

**DIRECTIONS No. 01 OF 2023 UNDER FOREIGN EXCHANGE ACT, No. 12 of 2017**

**Directions issued to Authorized Dealers on Special Foreign Currency Accounts for investee to facilitate Current Transactions (SFCA- Investee)**

In terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Government Gazette (*Extraordinary*) Notifications No. 2213/38 dated 03.02.2021 and Section 9 read with Section 6 of the Foreign Exchange Act, No. 12 of 2017 (the FEA), Authorized Dealers (ADs) are permitted to open and maintain SFCA-Investee out of proceeds received, being an investments into the share capital of the company from a person resident outside Sri Lanka (i.e. non-resident investors), provided that the said company (i.e. investee) has future requirement to meet the payments of current transactions and repayments of foreign currency loans or/and accommodations obtained under the provisions of FEA, subject to the following.

**2. Eligible Persons**

Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, that are receiving the investment into the share capital of the company from a non-resident investor, in compliance with Regulations No. 2 of 2021 published in the Government Gazette (*Extraordinary*) No. 2213/35 dated 03.02.2021, as amended, and in need of foreign exchange to meet future payments of current transactions and repayments of foreign currency loans or/and accommodations obtained under the provisions of the FEA.

**3. Opening and Maintaining the Accounts**

- (a) The SFCA-Investee may be opened and maintained in the form of current (without overdraft facility and cheque drawing facility) or saving accounts in any designated foreign currency, out of the proceeds received as investment into the share capital of the company routed through Inward Investment Accounts (IIAs) of non-resident investors.
- (b) Eligible persons shall open only one SFCA-Investee as permitted by these Directions in the banking system and shall be held as a sole account.
- (c) Opening and maintenance of SFCA-Investee shall be valid until 31.12.2023.



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**4. Permitted Credits**

- (a) Transfer of funds from an IIA of the investor/s, being investment into the share capital of the company.
- (b) Interest on the funds in the account.

**5. Permitted Debits**

- (a) Outward remittances with respect to current transactions of the accountholder.
- (b) Transfers for the repayment of foreign currency loans or/and accommodations obtained by the account holder, in terms of the Regulations, Orders and Directions issued under the provisions of the FEA, as amended, adhering to the procedures on repayments/ servicing of such foreign currency loans/accommodations mentioned in the said Regulations, Orders and Directions.
- (c) Local disbursements in Sri Lanka rupees

**6. Other Conditions**

- (a) ADs shall obtain the documentary evidence, to determine the future requirement of the payments for current transactions and repayments of foreign currency loans/accommodations of the applicant to be eligible to open an SFCA-Investee, as applicable.
- (b) ADs shall obtain proper legally acceptable documentary evidence, to establish the legality and bona-fide of the underlying transaction to be carried out and ensure compliance with the regulations and these Directions.
- (c) ADs shall maintain documentary evidence (either in hard copy or electronic/digital form) regarding the transactions made through this SFCA-Investee, up to a period of 6 years from the closure of SFCA-Investee.

**7. Reporting Requirement**

- (a) ADs are required to submit the information on opening and maintaining of SFCA-Investee under these Directions in a format as prescribed by the Director-Department of Foreign Exchange (D/DFE), to this department on or before the 15<sup>th</sup> day of the following month, by an email to [dfem@cbsl.lk](mailto:dfem@cbsl.lk).



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- (b) ADs are required to implement a system within the bank in order to generate or extract the relevant information from banks' books of accounts, as per the above reporting requirement.

**8. Closure of the SFCA- Investee**

- (a) ADs shall close the SFCA-Investee if the accountholder has fully utilized the funds in the SFCA-Investee for the intended purposes.
- (b) All SFCA-Investee shall be closed on 31.12.2023. In this case, any outstanding balance in the SFCA-Investee shall be transferred to a rupee account of the accountholder.
- (c) ADs shall inform such closure to the D/DFE via an email to [dfem@cbsl.lk](mailto:dfem@cbsl.lk) within three working days from the date of the closure.
9. ADs shall require prior permission of the D/DFE, for any transaction or transfer to/from this SFCA-Investee for intended purpose which falls outside the purview of these Directions.

**10. For the Purpose of these Directions**

- (a) “**current transactions**” shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.
- (b) “**designated foreign currency**” shall have the same meaning in terms of the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Foreign Exchange Transactions) Regulations No. 5 of 2021 published in the Gazette (*Extraordinary*) Notification No. 2213/38 dated 03.02.2021.
11. 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.

**Director - Department of Foreign Exchange**

**27 February 2023**