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CENTRAL BANK OF SRI LANKA

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Press Release

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Further Relaxation of Foreign Exchange Regulations - 2013

During the past few years, Sri Lanka's macroeconomic fundamentals have improved and the domestic financial sector has become stronger and more resilient. In that background, foreign exchange regulations have been reviewed and relaxed gradually with the objective of achieving greater efficiency in the conduct of international financial transactions and further facilitating economic activity of the private sector through greater ease of doing business thus enhancing the overall competitiveness of the economy.

In keeping with the above policy framework, new relaxation measures will be implemented with effect from 12th June 2013. The highlights of these policy measures are as follows.

(i) **General permission to transfer funds in an NRFC/RFC account of one bank to another bank:** Currently those who wish to open new NRFC/RFC accounts with the existing funds in NRFC/RFC accounts maintained with a different authorized dealer have to obtain the permission of the Controller of Exchange on a case by case basis, to do so. In order to provide greater flexibility for persons operating NRFC/RFC accounts, individuals will now be permitted to open new NRFC/RFC account(s) utilizing funds transferred from existing NRFC/RFC account(s) maintained with another authorized dealer, without first obtaining the permission of the Controller.

(ii) **Holders of Foreign Exchange Earners Accounts (FEEA) to be eligible to obtain Foreign currency loans:** Currently, foreign currency loans can be obtained only by a limited category of foreign exchange earners, such as exporters and indirect exporters. Henceforth, banks will be permitted to extend foreign currency loans to all categories of FEEA holders.

(iii) **General Permission to repatriate capital gains from the sale of residential properties by non-residents:** As a measure of encouraging investments in immovable property, non-residents will henceforth be permitted to repatriate both capital and capital gains upon sale of immovable property owned and/or developed by the non-resident, provided the property had originally been acquired and/or developed by such owner through funds remitted into Sri Lanka through international banking channels.

(iv) **Extension of migration allowance to each migrant of age 18 and above:** The current direction re. the remittance of the migration allowance, is that it is applicable to ‘family units’ and not to individuals. Henceforth, it will be revised, making it applicable to an individual. Therefore, migrants aged 18 years and above, will be eligible for a maximum migration allowance of USD 150,000 at the time of migration, and an annual allowance of USD 20,000 thereafter. Further, proceeds from current transactions, provident fund and gratuity benefits will also be freely repatriable in addition to the aforestated allowances. A dedicated non-resident account shall be assigned per migrant for the purpose of such fund transfers.

(v) **Permission for banks to open and maintain Nostro Accounts and invest Nostro balances abroad:** As a measure to facilitate efficient settlement of foreign exchange transactions in other countries by authorized dealers, licensed commercial banks will be permitted to open and maintain separate Nostro accounts in different currencies and invest balances of such accounts in foreign money markets.

(vi) **Increase in the amount of foreign currency notes that may be issued for travel purposes:** The quantum of foreign currency notes that may be issued for travel purposes by an authorized dealer will henceforth be increased from the current level of US$ 2,500 to USD 5,000.

(vii) **Introduction of standard criteria to permit non-bank financial institutions to accept foreign currency deposits**: Licensed Finance Companies (LFCs) which are rated at a credit rating of A- or above by Central Bank specified credit rating agencies, will be permitted on application, to open and maintain foreign currency deposit accounts for their customers. The total quantum of such deposits that could be harnessed by each LFC will be subject to guidelines to be issued by the Director, Supervision of Non-Bank Financial Institutions.

(viii) **Repatriation of Pre-SIERA (Share Investment External Rupee Account) Foreign Investments in Sri Lanka:** The Central Bank has now established a mechanism to grant permission on a case-by-case basis for the repatriation of dividends and sale or maturity proceeds of investments made by foreign investors in shares and business ventures in Sri Lanka, prior to the introduction of the SIERA in 1990.

(ix) **Opening and maintaining of bank accounts abroad by dual citizens**: As per the new rules, Sri Lankan dual citizens or Sri Lankan holders of permanent residency permits issued by foreign Governments will henceforth be permitted to maintain bank accounts outside Sri Lanka, without obtaining prior permission from the Exchange Control Department.

(x) **Amendments to the Securities Investments Account (SIA)**: As a measure of facilitating inward remittances into Sri Lanka for investment purposes, SIA holders will be granted more flexible avenues to receive and repatriate funds into and out of SIA. Accordingly, in the case of Foreign Institutional Investors, routing of inward remittances via Nostro accounts into Vostro or SIA accounts of banks, will henceforth be permitted.

The relevant Directions with respect to above measures have been issued to authorized dealers on 12th June 2013.