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# The Gazette of the Democratic Socialist Republic of Sri Lanka

## EXTRAORDINARY

අංක 2229/5 - 2021 මැයි මස 25 වැනි අඟහරුවාදා - 2021.05.25

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## PART I : SECTION (I) — GENERAL

### Government Notifications

#### FOREIGN EXCHANGE ACT No. 12 OF 2017

##### Order under Section 4

BY virtue of the powers vested in me by Paragraph (c) of subsection (2) of Section 4 of the Foreign Exchange Act, No. 12 of 2017, I, Mahinda Rajapaksa, Minister of Finance, do by this Order, prescribe the purposes, terms and conditions as specified hereunder, subject to which companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 shall deal in foreign exchange within Sri Lanka.

2. Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (hereinafter referred to as “parent company”) are hereby permitted to lend in any designated foreign currency to their subsidiaries incorporated in Sri Lanka who are foreign exchange earners with prior permission of the Monetary Board of the Central Bank of Sri Lanka subject to the followings,

- i. The parent company shall grant the said foreign currency loan (hereinafter referred to as “foreign currency loan”) to the subsidiary only out of the proceeds of a loan obtained by the parent company from a person resident outside Sri Lanka (hereinafter referred to as “foreign loan”) subject to the Foreign Exchange Regulations No. 2 of 2021 published in the *Gazette Extraordinary* No. 2213/35 dated 3 February 2021 (hereinafter referred to as “Regulations No. 2 of 2021”) and the terms and conditions stated under this Order.



- ii. The parent company shall make the repayments of the said foreign loan out of the foreign exchange earnings of the company including the foreign exchange received from the subsidiaries being the repayments of foreign currency loans granted under the above permission. The rupee conversion for the repayments of the said foreign loan is permitted only as a last resort subject to the directions issued by the Central Bank.
- iii. The foreign currency loan obtained from the parent company by the subsidiary shall be credited to a Special Foreign Currency Account opened by the subsidiary with an authorized dealer as per the permission granted by the Monetary Board of the Central Bank of Sri Lanka and all repayments of the said loan (principal and the interest) shall be made through the same Special Foreign Currency Account.
- iv. The subsidiary shall have prospective foreign exchange earnings and all repayments of the said foreign currency loan obtained from the parent company shall be made only out of the foreign exchange earnings of the subsidiary.
- v. The subsidiary may utilize the proceeds of the said foreign currency loan only for its business operations (excluding any capital transactions outside Sri Lanka).
- vi. Under no circumstances, the repayments (principal and the interest) of the said foreign currency loan could be made by conversion of rupees into foreign exchange by the subsidiary.

**MAHINDA RAJAPAKSA,**  
Minister of Finance.

Colombo,  
25 May, 2021.

06 - 228