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The Gazette of the Democratic Socialist Republic of Sri Lanka EXTRAORDINARY

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PART I : SECTION (I) — GENERAL Government Notifications

L.D.-B 10/2017 (III)

FOREIGN EXCHANGE ACT, No. 12 OF 2017

REGULATIONS made by the Minister of Finance under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017.

MAHINDA RAJAPAKSA,
Minister of Finance.

Colombo,
03rd February, 2021.

Regulations

1. These regulations may be cited as the Foreign Exchange (Classes of Capital Transactions Undertaken in Sri Lanka by a Person Resident Outside Sri Lanka) Regulations No. 2 of 2021 and shall come into operation with effect from March 22, 2021.

2. The capital transactions undertaken in Sri Lanka by a person Resident Outside Sri Lanka as specified in the Schedule hereto shall be authorised classes of capital transactions in foreign exchange permitted to be carried out by an authorised dealer or restricted dealer to the extent specified in section 4 of the Act, subject to such limits, terms and conditions specified in these regulations and the Schedule hereto.



3. In executing capital transactions in foreign exchange under these regulations, every authorised dealer or restricted dealer shall comply with the directions issued in that behalf by the Central Bank, from time to time, under section 9 of the Act.

4. (1) Every authorised dealer or restricted dealer engaged in capital transactions in foreign exchange under these regulations shall ascertain-

- (a) the *bona fide* of the person who carries out the transaction; and
- (b) that such transaction is in compliance with these regulations,

by obtaining documentary evidence in that behalf.

(2) Every person engaged in capital transactions under these regulations shall provide all necessary documentary evidence to such authorised dealer or restricted dealer for the purpose of paragraph (1).

(3) Every authorised dealer or restricted dealer shall exercise all due diligence in executing such capital transactions in foreign exchange under these regulations.

5. The Central Bank may take such action as it may deem necessary under the provisions of the Act, in respect of any authorised dealer, restricted dealer or any other person not being an authorised dealer or restricted dealer, who fails to comply with these regulations.

6. Any person resident in Sri Lanka (including all intermediaries, stockbrokers, unit trusts, mutual funds and financial institutions) involved with the capital transactions specified in these regulations, shall be responsible to ensure compliance with these regulations when executing such capital transactions.

7. Every overseas company specified in paragraph 1 under heading B of Part I of the Schedule hereto shall be responsible to ensure that it complies with the terms and conditions specified under heading B of Part I of the Schedule hereto.

8. (1) For the purpose of these regulations "designated foreign currency" means-

- (a) United States Dollars (USD);
- (b) Euro;
- (c) Sterling Pound;
- (d) Australian Dollars;
- (e) Singapore Dollars;
- (f) Swedish Kroner;
- (g) Swiss Franc;
- (h) Canadian Dollars;
- (i) Hong Kong Dollars;
- (j) Japanese Yen;
- (k) Danish Kroner;
- (l) Norwegian Kroner;
- (m) Chinese Renminbi; and
- (n) New Zealand Dollars.

(2) The Central Bank may, from time to time amend, alter or make additions to the designated foreign currencies specified in paragraph (1), by the directions issued in that behalf under section 9 of the Act.

9.Regulations made under section 29 read with section 7 of the Foreign Exchange Act, No. 12 of 2017, published in the *Gazette* Extraordinary No. 2112/25 of February 28, 2019 is hereby rescinded, without prejudice to anything done thereunder.

10.For the purpose of these regulations-

"Act" means the Foreign Exchange Act, No. 12 of 2017;

"authorised dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"capital transaction" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Central Bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"companies limited by guarantee" shall have the same meaning as in the Companies Act, No. 7 of 2007;

"conversions to shares" means-

- (a) a conversion of preference shares issued by a company incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, under these regulations or the repealed Exchange Control Act, into ordinary shares;
- (b) a conversion of loans or debt securities obtained or issued by a company incorporated in Sri Lanka under the Companies Act, No. 7 of 2007, under these regulations or the repealed Exchange Control Act, into ordinary shares; or
- (c) a conversion of the value of imported machinery which was evaluated by the manufacturer or authorised agent of the manufacturer, into ordinary shares in the name of a company incorporated outside Sri Lanka by which the cost of such machinery was incurred;

"emigrant" shall have the same meaning as in the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 published in the *Gazette* extraordinary No. 2213/36 of February 03, 2021 as may be amended from time to time;

"entitlement to shares" means any shares issued or transferred by virtue of a corporate action by the issuer or mergers or amalgamations of the companies in or outside Sri Lanka or by way of inheritance to non resident individual (including emigrant) in terms of the law relating to inheritance and succession or gifts to non resident individual (including emigrant) from an immediate family member or a settlement under a court Order;

"immediate family members" means parents, grandparents, spouse and children;

"licensed commercial bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"licensed finance company" means a finance company licensed under the Finance Business Act, No. 42 of 2011;

"licensed financial institution" means-

- (a) a licensed commercial bank;
- (b) a licensed specialised bank;
- (c) a microfinance company licensed under the Microfinance Act, No. 6 of 2016; or
- (d) a licensed finance company;

"licensed specialised bank" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Minister" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"Monetary Board" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017;

"overseas company" shall have the same meaning as in the Companies Act, No. 7 of 2007;

"repealed Exchange Control Act" means the Exchange Control Act (Chapter 423);

"restricted dealer" shall have the same meaning as in the Foreign Exchange Act, No. 12 of 2017.

"retail trade" means the re- sale (sale without transformation) of new and used goods to the general public for personal or household consumptions or utilisation;

"specialised leasing company" means a company registered under the Finance Leasing Act, No. 56 of 2000 to conduct finance leasing business;

"State owned enterprise" means a state owned enterprise of the Government of Sri Lanka of which the share capital over fifty *per centum* is owned by the Government of Sri Lanka;

"Sri Lanka Development Bonds" means a debt instrument denominated in a foreign currency issued by the Public Debt Department of the Central Bank of Sri Lanka on behalf of the Government of Sri Lanka.

(Regulations 2 and 7)

SCHEDULE

PART I

CAPITAL TRANSACTIONS UNDERTAKEN IN SRI LANKA BY A PERSON RESIDENT OUTSIDE SRI LANKA

A. Permitted Investments

1. Any person resident outside Sri Lanka, country funds, regional funds, investment funds and mutual funds established outside Sri Lanka (non-resident investors) may engage in the following types of capital transactions in Sri Lanka.
 - (1) subject to the exclusions and limitations stated in paragraphs 7 and 8, under heading A of this Part of the Schedule, to acquire, hold or divest all classes of shares under an entitlement to shares or conversions to shares issued by Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007;
 - (2) invest in debt securities (excluding listed debt securities) with a tenure of 3 or more years issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 (other than licensed commercial banks, licensed specialised banks, licensed finance companies, specialised leasing companies and companies limited by guarantee and overseas companies registered in Sri Lanka) in designated foreign currency or in Sri Lanka Rupees;
 - (3) invest in debt securities issued with the approval of the relevant regulatory authorities in designated foreign currency or Sri Lanka Rupees, by licensed commercial banks, licensed specialised banks, licensed finance companies or specialised leasing companies ;
 - (4) grant loans with a tenure of 3 or more years to companies incorporated under the Companies Act, No. 7 of 2007 in Sri Lanka (other than licensed commercial banks, licensed specialised banks, licensed finance companies,

specialised leasing companies and companies limited by guarantee and overseas companies) in designated foreign currency or in Sri Lanka Rupees;

- (5) grant loans by the parent company incorporated outside Sri Lanka to its branch office or project office registered in Sri Lanka as an overseas company under the Companies Act, No. 7 of 2007, in designated foreign currency or in Sri Lanka Rupees;
 - (6) grant loans to the Government of Sri Lanka or State Owned Enterprises subject to obtaining any approval required from the relevant line Ministry and any other relevant authority;
 - (7) grant loans in foreign currency or Sri Lanka Rupees to licensed commercial banks, licensed specialised banks, licensed finance companies and specialised leasing companies, subject to the approval of the relevant regulatory authorities;
 - (8) subject to the provisions or restrictions in any other written law, investments in-
 - (a) units in Unit Trusts or Mutual Funds;
 - (b) Government Securities (treasury bills, treasury bonds and any other securities issued by the Government of Sri Lanka);
 - (c) securities issued by the Central Bank of Sri Lanka or any state owned enterprise or any other statutory body;
 - (d) Sri Lanka Development Bonds (SLDBs);
 - (e) Term deposits in, Sri Lanka Rupee or any designated foreign currency in licensed financial institutions, subject to section 4 of the Act;
 - (f) immovable properties ; or
 - (g) listed debt securities;
 - (9) grant loans with a tenure of less than three years to companies as defined in the Companies Act, No. 7 of 2007 in Sri Lanka which hold Business Foreign Currency Accounts, for the purpose of utilising such proceeds of the loan to meet the working capital requirement of the borrower provided that all repayments of such loans are made out of the foreign exchange earnings of the borrower;
 - (10) invest in any other investment category approved by the Monetary Board in accordance with such directions as may be issued by the Minister.
2. Non-resident individual may acquire assets referred to in subparagraphs (1), (2), (3) and (8) of paragraph 1 under heading A of this Part of the Schedule, by way of a gift from an immediate family member or by way of an inheritance in terms of the law relating to inheritance and succession or being a settlement under a court Order.
 3. An emigrant may acquire any asset in Sri Lanka, by way of a gift from parents, grandparents, siblings or spouse who is a resident person or an emigrant. An emigrant may acquire any asset in Sri Lanka by way of an inheritance in terms of the law relating to inheritance and succession.
 4. All capital transactions specified in paragraphs 1, 2 and 3 under heading A of this Part of the Schedule, shall be subject to the following conditions-

(1) Mechanism of channeling funds into or out of Sri Lanka relating to permitted investments-

- (a) the consideration payable for permitted investments referred to above shall be routed through an Inward Investment Account opened and maintained in any designated foreign currency or Sri Lanka Rupees;
 - (b) all income and any capital proceeds derived from such investments shall be credited to the Inward Investment Account through which the investment was made.
 - (c) the requirements of routing funds through an Inward Investment Account of the non-resident investor, specified in items (a) and (b) above are not mandatory for the investments permitted under subparagraphs (4),(5), (6),(7), (8)(a) and (9) and for any other investments permitted under subparagraph (8)(if so permitted by the Monetary Board) of paragraph 1 under heading A of this Part of the Schedule;
 - (d) in the event of remittances directly made for the investments permitted under item (a) of subparagraph (8) of paragraph 1 under heading A of this Part of the Schedule and loans granted to licensed commercial banks, licensed specialised banks, the Government of Sri Lanka and State Owned Enterprises, all income and capital proceeds of such investments may be directly repatriated to the non resident investor by the investee;
 - (e) the proceeds of a loan referred to in subparagraph (9) of paragraph 1 under heading A of this Part of the Schedule shall be credited to a Business Foreign Currency Loan Account opened and maintained by the borrower and all repayments of such loan shall be made through the same Business Foreign Currency Loan Account, subject to the directions issued by the Central Bank under the provisions of the Act. Under no circumstances such loan shall be permitted to be settled by way of conversion of rupees.
- (2) Any person resident in Sri Lanka other than licensed commercial banks, licensed specialised banks, the Government of Sri Lanka and State owned enterprises, who borrow from a person resident outside Sri Lanka, shall open and maintain an External Commercial Borrowing Account, subject to the directions issued by the Central Bank under the provisions of the Act, to receive the proceeds of such loans and to service and repay the loan.
- (3) Reporting on Borrowings made under subparagraphs(6) and (7) of paragraph 1 under heading A of this Part of the Schedule-
- (a) in the case of borrowings made by licensed commercial banks and licensed specialised banks, details of such borrowings (including date, the amount of the loan and currency, tenure and profile of the lender) shall be reported to the Head of the Department of Foreign Exchange on or before the fifteenth day of the following month;
 - (b) in the case of borrowings made by Government of Sri Lanka and State Owned enterprises, details of such borrowings (including date, the amount of the loan and currency, tenure and profile of the lender) shall be reported by the Department of External Resources, Department of Public Enterprise and Department of National Budget (as applicable) of the Ministry of Finance, to the Head of the Department of Foreign Exchange within one month of the receipt of the loan proceeds;
- (4) Loans obtained under subparagraphs(4) and (5) of paragraph 1 under heading A of this Part of the schedule may be repaid by the borrower in full at the end of the term or shall be amortized over the tenure in accordance with the terms of the loan agreement.

(5) Repatriation of proceeds of investment or assets inherited or gifted or received under an Order of a court

- (a) any income and any capital proceeds of the permitted investments transferred to non resident individual in terms of the law relating to inheritance and succession (as applicable) or by way of a gift from an immediate family member or being a settlement under an Order of any court, may be repatriated only through an Inward Investment Account opened by the beneficiary, if the investment had been made by the initial investor in compliance with these regulations.
- (b) any income and any capital proceeds of the permitted investments transferred to non resident individual, in terms of the inheritance and succession law (as applicable) or by way of a gift from an immediate family member or being a settlement under an Order of any court, may be repatriated only through an Inward Investment Account opened by the beneficiary, if the investment had been made out of inward remittances *via* a Securities Investment Account (re-designated as Inward Investment Account) or any other account, of the initial investor prior to November 20, 2017.
- (c) any income and any capital proceeds of any permitted investment inherited in terms of the inheritance and succession law from a deceased resident person or gifted from an immediate family member who is a resident or received as a settlement under a court Order in relation to assets held by a resident, by a non resident individual (excluding emigrant), shall be credited and repatriated through a Capital Transaction Rupee Account, subject to the annual allowance of USD 30,000 as per directions issued by the Central Bank under the provisions of the Act.
- (d) any income and any capital proceeds of any permitted investment inherited in terms of the inheritance and succession law or gifted to a non resident individual (excluding emigrant) from another emigrant or an immediate family member who is an emigrant, where such investment has been made by such emigrant while being a resident in Sri Lanka or made through his or her Sri Lanka rupee accounts prior to these regulations coming into effect or made as permitted under paragraph 6 under heading A of this Part of the schedule, shall be credited and repatriated through a Capital Transaction Rupee Account, subject to the annual allowance of USD 30,000, as per directions issued by the Central Bank under the provisions of the Act.
- (e) any income and any capital proceeds of any asset inherited or gifted to an emigrant as permitted under paragraph 3 under heading A of this Part of the Schedule shall be repatriated subject to the Foreign Exchange (Remittance of Funds by Emigrants) Regulations No. 3 of 2021 published in the *Gazette* extraordinary No. 2213/36 of February 03, 2021, as may be amended from time to time.

(6) Repatriation of the proceeds of investments made prior to November 20, 2017-

- (a) any income and any capital proceeds of the above investments made prior to November 20, 2017, may be repatriated only through an Inward Investment Account opened by the investor or directly to an account outside Sri Lanka of the investor in the case of investments made in units in Unit Trusts, subject to submission of evidence of the inward remittances for the investment.
 - (b) in the event where the evidence of the inward remittances are not available for the investments made prior to January 1, 2010, any income and any capital proceeds of such investment may be repatriated only through an Inward Investment Account opened by the non-resident investor or remit directly to an account outside Sri Lanka of the investor in the case of investments made in units in Unit Trusts, upon satisfying with the *bonafide* of the transaction made by the authorised dealer or the restricted dealer.
- (7) In the event where the evidence of the inward remittances are not available for the investments, referred to under item (b) of subparagraph (5) of paragraph 4 under heading A of this Part of the Schedule or made during the period of January 1, 2010 to November 20, 2017, any income or capital proceeds of such investments shall be credited to a Capital Transaction Rupee Account or Non Resident Rupee Account, as the case may be,

opened by the investor or beneficiary as the case may be and repatriated subject to the annual allowance of USD 30,000 as per directions issued by the Central Bank under the provisions of the Act.

- (8) Licensed commercial banks, licensed specialised banks, licensed finance companies or specialised leasing companies may convert the debt securities or loans issued or obtained under these regulations into ordinary shares subject to the approval from relevant regulatory authority. Non listed debt securities or loans issued or obtained by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 may only be converted into ordinary shares after the expiry of 18 months from the date of issuance or borrowing, as the case may be. Listed debt securities issued by companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 may only be converted into ordinary shares in compliance with the regulations of Colombo Stock Exchange.
5. Non-resident investors may invest in shares or debt securities of companies not incorporated in Sri Lanka and listed in the Colombo Stock Exchange in Sri Lanka, without any restrictions, by routing funds through the accounts maintained in Offshore Banking Units of any licensed commercial bank in Sri Lanka.
6. Investments by emigrants out of funds held in the Non Resident Rupee Accounts.
 - (1) An emigrant is permitted to make investments permitted under sub paragraphs (1), (2), (3) and (8) of paragraph 1 under heading A of this Part of the Schedule except item (d) of sub paragraph (8) of paragraph 1 under heading A of this Part of the schedule, out of the funds held in a Non Resident Rupee Account of the emigrant.
 - (2) All income and capital proceeds of such investments shall be credited to respective Non Resident Rupee Accounts through which the investment was made.
 - (3) All income derived from such investments may be repatriated only through respective Capital Transaction Rupee Account or Emigrants' Remittable Income Account (as applicable), without being subject to the eligible migration allowance, as per the directions issued by the Central Bank under the provisions of the Act.
 - (4) Any capital proceeds of such investments may be repatriated only through respective Capital Transaction Rupee Account subject to the eligible migration allowance, as per the directions issued by the Central Bank under the provisions of the Act.
7. **Exclusions** – The permission under subparagraph (1) of paragraph 1 under heading A of this Part shall not apply in respect of voting shares of a company proposing to carry on or carrying on any of the following businesses-
 - (1) pawn broking;
 - (2) coastal fishing(as defined by the Minister to whom the subject of fisheries is assigned);
 - (3) retail trade where capital contributed by persons resident outside Sri Lanka will be less than USD 5 Million.

8. **Limitations**

- (1) The permission under subparagraph (1) of paragraph 1 under heading A of this Part of the Schedule shall apply in respect of voting shares in a company carrying on or proposing to carry on any of the following businesses, only up to 40 per cent of the number of fully paid voting shares of such company or if a special approval has been granted by the Board of Investment of Sri Lanka for a higher percentage of foreign investment in any company, only up to such higher percentage:-
 - (a) production of goods where Sri Lanka's exports subject to internationally determined quota restrictions;
 - (b) growing and primary processing of tea, rubber, coconut, cocoa, rice, sugar and spices;

- (c) mining and primary processing of non-renewable national resources;
 - (d) timber based industries using local timber;
 - (e) deep sea fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (f) mass communication;
 - (g) education;
 - (h) freight forwarding;
 - (i) travel agencies;
 - (j) shipping agencies.
- (2) The permission under subparagraph (1) of paragraph 1 under heading A of this Part of the Schedule shall apply in respect of voting shares in a company carrying on or proposing to carry on any of the businesses specified below only up to the percentage of the number of fully paid voting shares of such company for which percentage either general or special approval has been granted by the relevant legal or administrative authority established by the Government of Sri Lanka set up for the approval of foreign investments in such businesses-
- (a) air transportation;
 - (b) coastal shipping (as defined by the Minister to whom the subject of shipping is assigned);
 - (c) industrial undertaking as specified in the Second Schedule to the Industrial Promotion Act, No.46 of 1990, namely-
 - (i) any industry manufacturing arms, ammunitions, explosives, military vehicles and equipment, aircrafts and other military hardware;
 - (ii) any industry manufacturing poisons, narcotics, alcohol, dangerous drugs and toxic, hazardous or carcinogenic materials;
 - (iii) any industry producing currency, coins, or security documents;
 - (d) large scale mechanized mining of gems;
 - (e) lotteries.

B. Opening and Operating a Place of Business in Sri Lanka

1. (1) An overseas company registered under the Companies Act, No. 7 of 2007, may carry out in Sri Lanka -
- (a) any commercial, trading, or industrial activity, other than the activities specified in paragraph 3 under heading B of this Part of the Schedule, provided that prior permission has been obtained from the relevant legal or administrative authority established by the Government of Sri Lanka to grant approval for foreign investments for the activities specified in paragraph 4 under heading B of this Part of the Schedule; or

- (b) any non-commercial, non-trading or non-industrial activity such as the activities undertaken or carried out by a liaison office, representative office, regional office or other similar office, provided that such activities do not generate any income directly or indirectly to the overseas company in Sri Lanka.
 - (2) An overseas company registered under the Companies Act, No. 7 of 2007, that undertakes or carries on any activity specified above shall-
 - (a) in case of a place of business such as a branch office, project office or other similar office, receive a minimum investment of USD 200,000 or equivalent amount in any other designated foreign currencies, channeled through an Inward Investment Account opened by the parent company in overseas with an authorised dealer or a restricted dealer in Sri Lanka to the credit of an account of the overseas company and provide evidence for the proof of said investment, to the Department of Registrar of Companies, within ninety (90) days of the registration. Such funds shall be recorded in the company's books as an investment and such records shall be maintained in the company's books until the company ceases its business in Sri Lanka.
 - (b) in case of a place of business such as a liaison office, representative office or other similar office, receive the funds required for the setting up and maintenance of such place of business through an Inward Investment Account opened by the parent company in overseas with an authorised dealer or a restricted dealer, in Sri Lanka, to the credit of an account of the overseas company.
2. An overseas company referred to in sub paragraph (1) of paragraph 1 under heading B of this Part of the Schedule may remit out of Sri Lanka, their profit, royalty, franchise or other similar payments or surplus funds at the time of termination, net of tax, through the Inward Investment Account of the parent company through which the investment was routed. An overseas company registered prior to November 20, 2017 shall remit out the said payments through an Inward Investment Account of the parent company upon satisfying the authorised dealer or the restricted dealer on the *bona fide* of the transaction.
3. For the purpose of item (a) of sub paragraph (1) of paragraph 1 under heading B of this Part of the Schedule, following commercial, trading and industrial activities are not permitted to be carried out by an overseas company-
 - (1) money lending (other than the branches of foreign banks registered in Sri Lanka under the Banking Act, No. 30 of 1988);
 - (2) pawn broking;
 - (3) retail trade where the capital contributed by persons resident outside Sri Lanka is less than USD 5 million after such investment;
 - (4) coastal fishing (as defined by the Minister to whom the subject of fisheries is assigned);
 - (5) growing and primary processing of tea, rubber, coconut and rice;
 - (6) mining and primary processing of non-renewable national resources;
 - (7) freight forwarding;
 - (8) shipping agency business;
 - (9) mechanized mining of gems; and
 - (10) lotteries.

4. For the purpose of item (a) of subparagraph (1) of paragraph 1 of heading B of this Part of the Schedule, following activities are permitted to be carried out with the prior permission of the relevant legal or administrative authority established by the Government of Sri Lanka to grant approval for foreign investments-

- (1) production of goods where Sri Lanka's exports subject to internationally determined quota restrictions;
- (2) growing and primary processing of sugar, cocoa and spices;
- (3) timber based industries using local timber;
- (4) deep sea fishing (as defined by the Minister to whom the subject of fisheries is assigned);
- (5) mass communication;
- (6) education;
- (7) outbound travel agency business;
- (8) local air transportation;
- (9) any industry manufacturing or producing-
 - (a) arms, ammunitions, explosives, military vehicles and aircraft equipment and other military hardware;
 - (b) poison, narcotics, alcohol, dangerous drugs and toxic hazardous or carcinogenic material; and
 - (c) currency, coins and security documents.

PART II

PERMISSION FOR THE ISSUANCE OF SOVEREIGN BONDS BY THE GOVERNMENT OF SRI LANKA

The Government of Sri Lanka is permitted to issue International Sovereign Bonds or other types of debt securities in any foreign currency to any person resident outside Sri Lanka and to make any payment to such persons in relation to such issuance subject to the permissions of relevant authorities on the same.

PART III

PERMISSIONS TO RESIDENT PERSONS

1. Any resident person specified under Part I of this Schedule to deal with the capital transactions stipulated under these regulations, are permitted to issue shares or any permitted securities and bonds or to borrow or to sell immovable properties and to accept deposits, subject to the provisions of these regulations or any other written law in Sri Lanka.
2. Government of Sri Lanka specified under Part I of the Schedule is permitted to issue any permitted securities and bonds or to borrow, subject to the provisions of these regulations or any other written law in Sri Lanka.
3. Companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 shall issue, transfer and register shares in the name of a non-resident investor subject to these regulations, irrespective of the means of acquisition or devolvement of such shares.

4. A resident individual who is a parent, grandparent, sibling or spouse of an emigrant is permitted to transfer any assets held in Sri Lanka by way of a gift to an emigrant.
5. Companies as defined in the Companies Act, No. 7 of 2007 or persons resident in Sri Lanka shall issue, transfer or register shares (where applicable) and debt securities permitted under subparagraph (1) and (2) of paragraph 1 under heading A of Part I of the Schedule, within three (3) months from the date of receipt of inward remittances for the investment, unless otherwise granted an extension of time by the Central Bank.
6. Companies as defined in the Companies Act, No. 7 of 2007 is permitted to issue shares subject to the exclusions and limitations stated in paragraphs 7 and 8 under heading A of Part I of the Schedule, within ninety (90) days from the date of publication of these regulations in the *Gazette* for which the inward remittances have either been received prior to November 20, 2017 or for inward remittances received through an Inward Investment Account of such investors prior to the date of publication of these regulations in the *Gazette*. All income and any capital proceeds of such investments shall be repatriated only through an Inward Investment Account opened by the investor upon submission of the evidences for the inward remittance for the investment.

PART IV

All existing capital transactions undertaken under any approval (general or special) that had been granted prior to coming into operation of the Act and that are substantially similar to the capital transactions specified in these regulations may be continued subject to the terms and conditions specified for such transactions under such approval unless specifically varied by these regulations or any subsequent regulations.

PART V

RE-DESIGNATION OF EXISTING ACCOUNTS & c.

1. All existing External Commercial Borrowing Accounts opened under the provisions of the repealed Exchange Control Act, shall continue to be operated, until full settlement of the foreign currency loans obtained by the resident borrowers through such External Commercial Borrowing Accounts from persons resident outside Sri Lanka.
2. All Inward Investment Accounts re-designated under the Foreign Exchange (Opening and Maintenance of Accounts for the purpose of engaging in Capital Transactions) Regulations No. 2 of 2017 published in the *Gazette* extraordinary No. 2045/56 of November 17, 2017 shall, notwithstanding such regulations being rescinded, continue to operate as re-designated.

PART VI

AUTHORITY TO OPEN AND MAINTAIN ACCOUNTS

1. Inward Investment Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain Inward Investment Accounts, in the name of following eligible persons to deal in capital transactions specified under these regulations-

- (1) a non- national, resident in or outside Sri Lanka;
- (2) a Sri Lankan dual citizen, resident in or outside Sri Lanka;
- (3) a Sri Lankan national who has obtained Permanent Residency status or citizenship in another country, resident in or outside Sri Lanka;

- (4) a Sri Lankan citizen employed abroad, resident outside Sri Lanka (excluding emigrants);
- (5) a company incorporated outside Sri Lanka;
- (6) a partnership registered outside Sri Lanka;
- (7) country funds, regional funds, mutual funds, unit trusts and foreign institutional investors, established outside Sri Lanka;
- (8) an administrator or executor of the estate of a deceased person, who maintained an Inward Investment Account with an authorised dealer or a restricted dealer;
- (9) a receiver or liquidator of a company that maintained an Inward Investment Account with an authorised dealer or restricted dealer; and
- (10) Any other person or category of persons who may be authorised by the Central Bank from time to time.

2. External Commercial Borrowing Accounts

An authorised dealer or a restricted dealer shall have the authority to open and maintain External Commercial Borrowing Accounts in the name of persons who are permitted to borrow from persons resident outside Sri Lanka under the provisions of the Act.

3. Other terms and conditions

- (1) The criteria for opening and maintenance of Inward Investment Accounts and External Commercial Borrowing Accounts and permitted debits and credits for such accounts shall be as specified by the directions issued by the Central Bank under the provisions of the Act.
- (2) An authorised dealer or a restricted dealer shall exercise due diligence and reasonable care to ascertain whether the persons seeking to open and maintain accounts specified in paragraph 1 and 2 of this Part of the Schedule are eligible to open and maintain such account under the criteria specified in the relevant directions issued by the Central Bank under the provisions of the Act. Every authorised dealer or restricted dealer shall maintain information and documentary evidence relating to the account holders as a proof of their eligibility during the maintenance of the account and for a period not less than six years after the closure of such accounts.