DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

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

Directions issued to Authorized Dealers on Current Transactions

In terms of Section 9 (1) of the Foreign Exchange Act, No. 12 of 2017 (the Act), Authorized Dealers are permitted to carry out current transactions under Section 6 of the Act, subject to the following.

1. An Authorized Dealer may deal in foreign exchange for current transactions as defined in Section 33 of the Act, as a principal or as an intermediary, to the extent specified in its respective authorization in terms of Section 4 of the Act.
2. A person in, or resident in, Sri Lanka may engage in current transactions of such person (including those of his spouse, children or parents) involving conversion of Sri Lanka Rupees in to foreign exchange or vice versa.
3. Authorized Dealers shall release foreign exchange without restriction for current transactions as indicated in Schedule I to these Directions, after satisfying themselves with the bona-fide and verification of the requests as required by Section 6 (3) of the Act. Schedule I to these Directions is an indicative list which provides examples for certain types of current transactions and not an exhaustive list of current transactions.
4. In assessing the bona-fide and carrying out verification, Authorized Dealers shall take into account documentary evidence or any other available information relating to the nature of the transaction and the beneficiary of the remittance.
5. A guideline to dealing in foreign exchange on current transactions is given in Schedule II to these Directions. These transactions cover both payments (outflows) and receipts (inflows) and any inward remittance for any type of current transaction is freely permitted.
6. Authorized Dealers shall retain any information or documentation relating to the basis on which each current transaction is undertaken for a period of six years from the date of such transaction, for verification by the Central Bank of Sri Lanka.
7. An Authorized Dealer may refuse to deal in foreign exchange for a current transaction for reasons set out in Sections 6 (4) of the Act subject to complying with Section 6 (5) of the Act.

8. Reporting of transactions:

8.1. Authorized Dealers shall obtain accurate and duly completed Form 1 (sales of foreign exchange) and Form 2 (purchases of foreign exchange) as per the new formats given in Annex I and Annex II, respectively, from its customers who buy and sell foreign exchange, in respect of permitted transactions which require conversion of Sri Lanka Rupees into foreign exchange or vice versa with effect from 01 April 2018. Until then, Authorized Dealers shall use the existing formats given in Form 1 and Form 2 in Annex III and Annex IV, respectively, to these Directions.

8.2. Authorized Dealers shall submit information on all foreign exchange sales and purchases (irrespective of the value of transactions) electronically through the Foreign Exchange Transactions Monitoring System – FOREX Net (https://www.cbsl.lk/ forexnet) on daily basis to the Department of Foreign Exchange.

8.3. Authorized Dealers shall retain Form 1 and Form 2 obtained as per Paragraph 8.1 above along with necessary documentary evidence to establish bona-fide of the underlying transactions at least for six years within the bank/branch premises or at a Centralized Processing Unit from the date of the transaction, enabling inspections by the Central Bank of Sri Lanka as and when considered necessary.

8.4. Authorized Dealers shall incorporate verification of accuracy and completeness of information in Form 1 and Form 2 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 inspections by the Central Bank of Sri Lanka.

Director-Department of Foreign Exchange
20 November 2017