

RELAXATION OF FOREIGN EXCHANGE RESTRICTIONS

OPENING OF SPECIAL DEPOSIT ACCOUNT (SDA) WITH SRI LANKA BANKS

All Sri Lankans living in Sri Lanka and outside Sri Lanka can remit their foreign currency earnings, savings and investments to Sri Lanka and maintain term deposits with any bank in Sri Lanka. All interested Sri Lankans and well-wishers accordingly can instruct their foreign banks to transfer funds to the Sri Lankan banks of their preference to open Special Deposit Accounts (SDA). Citizens and well-wishers living in Sri Lanka can surrender any of their foreign currency holdings to a bank of their choice and open foreign currency deposits.

All Sri Lankan business community, corporate leaders as well to do citizens of Sri Lanka and well-wishers of Sri Lanka who have foreign currency deposits, investments maintained outside Sri Lanka can issue their respective bankers, fund managers, business representatives etc to give instructions to their banks to remit such money to Sri Lankan banks to open accounts in Sri Lanka.

Sri Lankan citizens including dual citizens living outside Sri Lanka can also instruct their banks, bank agents, fund managers etc. to instruct their banks also to open their accounts in any Sri Lankan bank of their preference.

All these accounts are free from taxes and foreign exchange regulations. Higher interest rates than the normal rates offered to foreign currency deposits will be offered. Any currencies mentioned below can be used for these transactions. All such deposits shall be protected under banking secrecy provision and further benefits with the relevant supporting legislations will be introduced with the 2020 Budget. Bank of Ceylon, Peoples Bank and National Savings Bank Head Quarters and Corporate Branches will provide special online service for such customers.

The relevant Gazette Notification and the salient features of the scheme are annexed.

Further information could also be obtained from Sri Lankan overseas missions or from the websites of the Presidential Secretariat, Ministry of Finance of Sri Lanka or the Central Bank of Sri Lanka.

Salient features of Special Deposit Account (SDA) are as follows;

- | | | |
|--------------------------|---|---|
| a. Minimum amount | - | No prescribed limit. |
| b. Minimum period | - | Six (06) months. |
| c. Interest Rate | - | 1 percent and 2 percent points per annum for SDA with a tenure of 6 months and 12 months respectively, higher than normal foreign currency deposits. |
| d. Interest payment | - | At maturity |
| e. Repatriation of funds | - | freely convertible and repatriable outside Sri Lanka on the maturity. |
| f. Exemption | - | Exempted from any procedural requirements specified in the Foreign Exchange Regulation No. 1 of 2017 published in the Gazette Extraordinary No 2045/56 of 17, 2017. |

- g. Operation of Account - Debits and credits are permitted under Section 7 of the Foreign Exchange Act, No 12 of 2017 so that Rupee Accounts can be opened.

- h. Acceptable Currencies - United States Dollars (USD), Euro, Sterling Pound, Australian Dollars, Singapore Dollars, Swedish Kroner, Swiss Franc, Canadian Dollars, Hong Kong Dollars, Japanese Yen, Danish Kroner, Norwegian Kroner, Chinese Renminbi and New Zealand Dollars

All Sri Lankans who are willing to express their solidarity to sustain Sri Lanka's resilience are invited to this opportunity in support of COVID – 19 prevention and social security initiative.



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The Gazette of the Democratic Socialist Republic of Sri Lanka
EXTRAORDINARY

අංක 2170/4 - 2020 අප්‍රේල් මස 08 වැනි බදාදා - 2020.04.08
No. 2170/4 - WEDNESDAY, APRIL 08, 2020

(Published by Authority)

PART I : SECTION (I) — GENERAL

Government Notifications

FOREIGN EXCHANGE ACT, No. 12 of 2017

REGULATIONS made under Section 29 read with Section 7 of the Foreign Exchange Act, No. 12 of 2017

1. Any Sri Lankan individual resident in or outside Sri Lanka including Dual Citizens, Citizens of other States with Sri Lankan origin and any person resident outside Sri Lanka including funds, corporate bodies, association and other well-wishers, are hereby permitted to open and maintain an account titled "Special Deposit Account" in the form of Term Deposits either in any designated foreign currency or in Sri Lanka Rupees with an authorized dealer in Sri Lanka, out of inward remittances from abroad routed through the banking system favoring the account holder during the period of six months from the date of this regulation.
2. Salient features of the Special Deposit Account shall be as follows :
 - i. Minimum tenure : Six (06) months.
 - ii. Interest payable : 1 percentage point and 2 percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable at maturity of the deposit, above the deposit interest rates applicable for normal deposits of similar maturities by the respective bank.
 - iii. Repatriation of Funds : Freely convertible and repatriable outside Sri Lanka on the maturity of the term deposits.



3. The Special Deposit Accounts will be exempted from any procedural requirements specified in the Foreign Exchange (Classes of Capital Transactions in Foreign Exchange Carried on by Authorized Dealers) Regulations No. 1 of 2017 published in the *Gazette Extraordinary* Notification No. 2045/56 dated November 17, 2017.
4. The criteria for opening and maintenance of the Special Deposit Accounts, permitted debits and credits thereof shall be in terms of the directions issued to authorized dealers by the Central Bank under Section 9 of the Act in that behalf.
5. For the purpose of these regulations, the designated foreign currencies are, United States Dollars (USD), Euro, Sterling Pound, Australian Dollars, Singapore Dollars, Swedish Kroner, Swiss Franc, Canadian Dollars, Hong Kong Dollars, Japanese Yen, Danish Kroner, Norwegian Kroner, Chinese Renminbi and New Zealand Dollars.

MAHINDA RAJAPAKSA,
Minister of Finance, Economic and Policy Development.

Colombo,
08th April, 2020.



DEPARTMENT OF FOREIGN EXCHANGE
CENTRAL BANK OF SRI LANKA

DIRECTIONS No. 04 OF 2020 UNDER FOREIGN EXCHANGE ACT, No.12 of 2017

Directions issued to Authorized Dealers on the Special Deposit Account

In terms of the Regulations published in the Government Gazette (*extraordinary*) No 2170/4 dated 08-04-2020 (the regulations) and Section 9 of the Foreign Exchange Act, No. 12 of 2017 (FEA), Authorized Dealers (ADs) are permitted to open and maintain Special Deposit Accounts (SDA) at the Domestic Banking Units (DBUs) subject to the following.

2. Eligible Persons

- (a) Sri Lankan individuals resident in or outside Sri Lanka
- (b) Dual Citizens
- (c) Citizens of other States with Sri Lankan origin
- (d) Non- nationals resident in or outside Sri Lanka
- (e) Funds, corporate bodies, associations incorporated/registered outside Sri Lanka
- (f) Any other well-wishers

3. Opening and Maintaining SDAs

- (a) SDAs shall be opened during the six months period from the date of the regulations
- (b) SDAs shall be opened and maintained only in the form of Fixed Deposits. SDAs in the form of savings accounts may be opened as operational accounts only for the purpose of receiving funds to be placed in SDAs.
- (c) SDAs shall be opened and maintained either in any designated foreign currency or in Sri Lanka Rupees.
- (d) SDAs may be held as joint accounts by eligible persons.

4. **Minimum tenure:** Six (06) months.

5. **Interest payable:** 1 percentage point and 2 percentage points per annum for SDAs with a tenure of 6 months and 12 months, respectively, payable at maturity of the deposit, above the deposit interest rates applicable for normal deposits of similar maturities by the respective bank. *Note: The Central Bank of Sri Lanka will reimburse the expenses on this additional interest payments to ADs.*

6. **Repatriation of Funds:** Freely convertible and repatriable outside Sri Lanka on the maturity of term deposits.

7. Permitted Credits

- (a) Inward remittances in foreign currency received from outside Sri Lanka in favor of the account holder through the banking system.
- (b) Transfers from Inward Investment Accounts (IIA) or accounts maintained in the Offshore Banking Unit by the account holder, out of the proceeds received as inward remittances during the six months period from the date of the regulations in favor of the account holder.

8. Permitted Debits

- (a) Outward remittances of maturity proceeds upon maturity of the term deposit.
- (b) Transfer of maturity proceeds of SDA term deposits to an Inward Investment Account or an account maintained in the Offshore Banking Unit by the same account holder.
- (c) Disbursements in Sri Lanka in Sri Lanka Rupees.

9. Other Conditions

- (a) In the event of receiving funds through an Inward Investment Account or an account maintained in the Offshore Banking Unit, of the same accountholder, ADs shall ensure that such funds have been received as inward remittances into Sri Lanka.
- (b) Funds withdrawn under paragraph 8 (c) above cannot be credited back to an SDA.
- (c) Outward remittances in favor of the accountholder may be effected through an AD other than the AD with whom the SDA is maintained, provided that a confirmation shall be obtained from the AD with whom the SDA is maintained stating that the funds were debited from the SDA of the accountholder and out of the funds credited in compliance with the regulation.

10. Reporting Requirement

- (a) ADs are required to furnish information to this department on weekly basis as per the format at Annex I not later than the close of the business of the 2nd working day of the following week, via e-mail to dfem@cbsl.lk.
- (b) ADs are required to implement a system within the bank in order to generate or extract relevant information from the books of accounts of their respective banks, as per the above reporting requirements.

Director

Department of Foreign Exchange

09 April, 2020

Weekly statement of Special Deposit Accounts (SDAs) – Term Deposits

Annex I of Directions No. 4

Name of the Bank

Reporting week ended as at

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Currency type*	No. of accounts as at the beginning of the week	Balance as at the beginning of the week	Credits		Closing balance as at the end of the week	No. of A/Cs as at the end of the week	
			Inward remittances**	Transfers from			
				IIAs			A/Cs in OBU
USD							
EUR							
LKR							

*You may extend the rows needed for other designated currencies.

** Include transfers from the SDA saving account (operational) as well

Authorized Dealers are required to furnish both scanned copy of the reports and the MS excel version of the same as above.

We verify the above information extracted/generated from the books of accounts of the bank is accurate.

Name of the Authorized officer:

Name and the seal of the Compliance officer:

Signature:

Signature:

Date:

Date: