

PRESS RELEASE

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இலங்கை மத்திய வங்கி
CENTRAL BANK OF SRI LANKA

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Measures to Encourage Offshore Borrowings by Private Sector

The Central Bank of Sri Lanka (CBSL), with a view of encouraging foreign currency inflows to the country, invites the private sector to pursue avenues to raise offshore funding leveraging on its strengths, with the consent of the Hon. Minister of Finance and in line with provisions of the Foreign Exchange Act No. 12 of 2017 (FEA).

In this regard, to hedge the foreign exchange risk of offshore borrowing, a zero cost swap facility would be made available by CBSL for the private sector borrowers of foreign currency for the duration of the said borrowing, which may be reviewed and renewed annually.

Alternatively, the private sector could invest the US dollar funds raised offshore in Sri Lanka Development Bonds (SLDBs) matching the tenure of the offshore borrowing, in line with the Weighted Average Fixed Rate/ Weighted Average Margin determined at the immediately preceding SLDB auctions, or at levels mutually agreed through Designated Agents (DAs) appointed to market SLDBs.

In terms of the general permission granted under the Regulations made under the FEA, companies incorporated in Sri Lanka under the Companies Act, No. 7 of 2007 are permitted to obtain loans/issue debt instruments from/to non-residents in compliance with the procedures introduced under such Regulations.

In the event, companies incorporated in Sri Lanka wish to pledge local assets and issue corporate guarantees to secure loans to be obtained from overseas, such requirements may be accommodated as a special permission under the provisions of the FEA upon a written application made to the Director, Department of Foreign Exchange.

Further, the private sector entities who borrow from abroad may sub-lend such funds to their subsidiaries in Sri Lanka, subject to terms and conditions specified in the Order issued under Section 4 (2) (c) of the FEA published in the Government Gazette (Extraordinary) Notification No. 2229/5 dated 25 May 2021.

Any corporate entity interested on the above may access all relevant Regulations and Orders published in the Government Gazette (Extraordinary) Notifications via www.dfe.lk/downloads. In addition, they may contact their banker or the Department of Foreign Exchange for further information with regard to the existing foreign exchange regulations.