



Sri Lanka Logistics & Freight Forwarders Association

Dear Colleagues

Further to my message yesterday , regards to receiving and paying in foreign currency , we have received att FAQ in relation to repatriation of export proceeds in to Sri Lanka - Rules No.5 .

Kindly refer to point 13 of 4 ,

Quote

13. Can Freight Forwarders, Shipping and Airline agents licensed by the Director General of Merchant Shipping or Director General of Civil Aviation Authority of Sri Lanka; and Port Terminal Operators, be paid under the authorized payments in terms of the Rules? Exporters of goods may make payments for freight charges (other than local fees or charges which are not components of freight) and port terminal charges in foreign currency, in respect of the logistic and cargo arrangements relevant to the particular export of goods, as an authorized payment in terms of the item 4 iv. of the Rules

Unquote

Though a clear direction for freight forwarders to pay carriers is not included in this document , I suggest you reach out to your banks and get this area clarified .

Thanks & Best Regards

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Frequently Asked Questions

Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021 issued under the provisions of the Monetary Law Act, No. 58 of 1949 (MLA) as published in the Gazette Extraordinary Notification No. 2251/42 dated 28 October 2021.

The following 'Frequently Asked Questions (FAQs)' and answers have been prepared as clarifications to the common concerns of banks and other stakeholders in respect of the revised Rules under the MLA issued in anticipation of greater foreign currency liquidity in the domestic market and stable exchange rate, primarily to facilitate the external trade of the country.

- 1. What is the scope of application of the "Repatriation of Export Proceeds into Sri Lanka Rules No. 5 of 2021" (Rules)?**
 - i. These Rules apply to all export proceeds received to Sri Lanka on or after 28 October 2021.
 - ii. The Rules apply to all exporters of goods and services including professional/ vocational, occupational, and business services provided to persons resident outside Sri Lanka by persons resident in Sri Lanka. The accounts for receiving such proceeds could be maintained in the Domestic Banking Unit or Offshore Banking Unit (OBU) of Licensed Banks in Sri Lanka.
 - iii. Proceeds of export bills purchases (bill discounting) are deemed to be export proceeds.
 - iv. Margin/commission income received by resident persons in respect of entrepot trade transactions are considered proceeds on export of services.
 - v. Foreign currency earnings such as agency commission received by resident freight forwarders as well as shipping/ airline agents are covered by these Rules, if such services are provided to non-residents.

2. Are the Worker Remittances by Sri Lankans working abroad subject to these Rules?

These Rules do not apply to inward remittances (worker remittances) to the country by Sri Lankans working abroad.

Proceeds received by non-residents to the accounts maintained in the OBU solely for collection purposes, where exports are not originating from Sri Lanka, are also not subject to these Rules.

3. What is the application of the Rules for export proceeds already received prior to 28 October 2021 and not converted up to date where 30 days have not lapsed and remain within 180 days from the date of export?

Export proceeds already repatriated to the country up to 28 October 2021, are subjected to the conversion requirements (i.e., mandatory conversion of 25% of export proceeds) as stipulated in the Repatriation of Export Proceeds into Sri Lanka Rules No. 4 of 2021 published in Gazette Notification No. 2229/9 dated 28 May 2021, if such conversion have not taken place by 28 October 2021.

4. Is there a minimum residual amount that needs to be converted as per the Rule given that exporters could commit 100% of export proceeds received for authorized payments?

No minimum conversion requirement is set out in these Rules. However, banks are required to convert the entire residual balance of the export proceeds received in a particular calendar month into Sri Lanka Rupees after meeting the authorized payments as per the Rules.

5. Can the loan repayments and travel purposes be recognized as allowed for ‘one-month commitments’ in terms of the item 4 iv. of the Rules?

No. One-month commitment is only in respect of purchases of goods and services directly related to the relevant export of goods and services.

It must also be noted that the 180 days’ time span is not applicable when honoring the one-month commitments, and banks are required to convert the proceeds that have not been utilized during the one-month.

6. Can export proceeds be remitted to another bank for conversion upon customer request?

No. After allowing for authorized payments, the recipient bank of such export proceeds in Sri Lanka is required to convert the residual. Transfers to other banks or other foreign currency accounts are permitted up to the amount of such authorized payments.

7. Can the bank accommodate any customer request for building up foreign currency balances over a period for term loans or Capital expenditure or cash margin or for securing facilities, which may fall due on a quarterly and semi-annual basis?

Accumulation of export proceeds in any means for any purpose is not permitted on or after the effective date of these Rules.

8. What if the customer instructions are not received by the 7th of next month for conversion by the bank in order to apply the requirements under the Rules?

Banks are required to convert export proceeds by the due date in the absence of documentary evidence from the exporter. The responsibility for obtaining or providing necessary and adequate documentary evidence to establish the authenticity of authorized payments and/ or commitments thereof is vested with the respective bank and exporter.

9. How should the bank deal with export proceeds which may be received after 180 days?

Non-repatriation of export proceeds within the stipulated period of 180 days is required to be reported to the Central Bank, and actions against such violations/ noncompliance in terms of the Rules would be taken by the Central Bank.

Such export proceeds will be subject to the immediate conversion into Sri Lanka Rupees.

10. Can the individual customers transfer foreign currency within own accounts of different banks where such proceeds are originated from service exports?

No. The recipient bank is required to apply the requirements under the Rules for such proceeds of service exports.

11. Can local suppliers be paid under the authorized payments in terms of the Rules?

All payments to local suppliers are required to be made in Sri Lanka Rupees, in accordance with the Monetary Law Act No. 58 of 1949. However, payments in foreign currency to the local suppliers in the following instances may be considered as authorized payments under item 4 iv of the Rules:

- i. Payment for imported raw materials of a local supplier, where the exporter has used the same for the final export.
- ii. Payment for the repayment of a foreign currency loan obtained by a local supplier for the supply of goods to the exporter.

12. Are the banks allowed to grant up to 100 percent of the export value for export related accommodations?

Banks are required to assess the real necessity of the customers for such accommodations in accordance with their past track record, market practices and the prevalent situation of the economy.

Banks should not extend accommodations in foreign currency evading the requirements of these Rules.

13. Can Freight Forwarders, Shipping and Airline agents licensed by the Director General of Merchant Shipping or Director General of Civil Aviation Authority of Sri Lanka; and Port Terminal Operators, be paid under the authorized payments in terms of the Rules?

Exporters of goods may make payments for freight charges (other than local fees or charges which are not components of freight) and port terminal charges in foreign currency, in respect of the logistic and cargo arrangements relevant to the particular export of goods, as an authorized payment in terms of the item 4 iv. of the Rules.