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CENTRAL BANK OF SRI LANKA

22nd December 2020

Our Ref: 33/04/012/0011/004

To: Chief Executive Officers of All Licensed Banks

Operating Instructions for the Incentive Scheme on Inward Worker Remittances

With an objective of encouraging more workers' remittances to the country through formal fund transferring channels, the budget 2021 has proposed to pay Rs. 2 per dollar above the normal exchange rate for the foreign exchange remittances sent by foreign workers to banks in Sri Lanka (the mechanism)". It is expected that the benefit of such incentive is passed to the workers and / or their beneficiaries and not to the intermediaries which are associated in the process of channeling such worker remittances into the country.

Accordingly, all Licensed Banks (LBs) are hereby instructed to adhere to the following Operating Instructions (OIs) in operatizing the mechanism.

1. Scope of Application

Applicable to all LBs which are engaged in collecting and disbursing workers' remittances flowing into the country.

2. Remittances Qualifying for the Incentive

(i) The foreign currency income earned through an employment by a Sri Lankan national who is working/has worked abroad will qualify to receive an additional LKR 2.00 per US Dollar (USD) remitted and converted to LKR w.e.f. 28.12.2020.

(ii) Accordingly, all LBs are required to maintain comprehensive due diligence procedures and internal controls to identify qualifying remittances for the incentive.

3. Payment of the Incentive

The Table 01 below depicts possible formal channels of worker remittances and the point of paying an additional LKR 2.00 per USD (hereafter referred as "the incentive").



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Table 01: Possible Formal Channels of Worker Remittances and Point of Paying the Incentive

Channel of Remittance	Point of Paying the Incentive
(a) Direct Fund Transfers to Personal Foreign Currency Accounts (PFCAs)	When the PFCA is debited for the foreign currency amount and the same is converted in to LKR If the converted LKR amount is used to transfer to an institution for the purposes such as bills, loans etc., the LB should debit the PFCA at a lesser foreign currency amount by adjusting the incentive of Rs. 2.00 per USD.
(b) Converting Foreign Currency Notes	When the foreign currency notes are converted in to LKR
(c) Intermediaries*	When the customer and / or a beneficiary is paid in LKR The incentive should be paid and recorded by the LB where the customer and / or a beneficiary receives LKR either over the counter or credit to an account

**When worker remittances are channeled through an intermediary in LKR, the LKR amounts of each customer and /or beneficiary should be converted in to USD by using the "Middle USD / LKR Exchange Rate (rounded-off to its two decimal places)" published by the Central Bank of Sri Lanka (CBSL) at the end of the previous business day and the incentive should be calculated and paid based on such converted amount (rounded-off to its two decimal places) of USD. The "Middle USD / LKR Exchange Rate" should be derived through the average of buying and selling USD / LKR exchange rates for Telegraphic Transfers (TT) published by the CBSL.*



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4. Payment of the Incentive on Remittances in Foreign Currencies Other than USD

LBs shall use the available indicative exchange rate published by the CBSL on previous business day to derive the USD amount for the calculation and payment of the incentive on worker remittances which are denominated in foreign currencies other than USD (rounded-off to its two decimal places). When there is no indicative exchange rate published by the CBSL, LBs shall use an appropriate reflective exchange rate.

Hence, Derived USD amount should be;

(Amount in Other Currency x Other Currency / LKR Indicative or Reflective Exchange Rate) ÷ Middle USD / LKR Exchange Rate as specified in Section 3 above

5. Accounting and Reporting of Incentive Payments

- (i) LBs are required to maintain separate accounts in respect of the incentives paid in a distinct receivable account with all necessary documents to support the payments.
- (ii) Within 15 days after the end of each quarter, LBs are required to submit information on incentives paid during the quarter to the International Operations Department (IOD) of the CBSL (with a copy to the Bank Supervision Department of the CBSL) as per the template provided by IOD to arrange the reimbursement of the same by the General Treasury. The template for the information to be submitted to IOD will be issued by the Director/IOD in due course.

6. For further information, you may contact IOD of the CBSL on 0112398711, 0112477595 or 0761754680.

Deshamanya Professor W D Lakshman
Governor
Central Bank of Sri Lanka



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CENTRAL BANK OF SRI LANKA

01st January 2021

Our Ref: 33/04/012/0011/005

To: Chief Executive Officers of All Licensed Banks

Amendments to Operating Instructions for Licensed Banks on "Incentive Scheme on Inward Worker Remittances"

This is with reference to the Operating Instructions (Ref: 33/04/012/0011/004) for Licensed Banks on "Incentive Scheme on Inward Worker Remittances" issued on 22.12.2020.

This is to inform you that the Paragraph 2(i) of the above Operating Instructions is hereby amended as "The foreign currency income earned through an employment by a Sri Lankan national who is working/has worked abroad or a Sri Lankan national who resides in Sri Lanka and earns foreign currency income through rendering services in nature of employment abroad will qualify to receive an additional LKR 2.00 per US Dollar (USD) converted to LKR on or after 28.12.2020.

The template for the quarterly information to be submitted to the International Operations Department (IOD) of the Central Bank of Sri Lanka (CBSL) is at Annexure I (Ref: Section 5 (ii) of the previously issued Operating Instructions). Please note that the first reporting as per the attached template should be for the period from 28.12.2020 to 31.03.2021. The other requirements of the previously issued Operating Instructions (Ref: 33/04/012/0011/004) remain unchanged.

For any further information, you may contact IOD of the CBSL on 0112398711, 0112477595 or 0761754680.

Deshamanya Professor W D Lakshman
Governor
Central Bank of Sri Lanka

Special Incentive Scheme for Inward Worker Remittances

Quarterly Reimbursement Request

Name of Bank:

Reporting Period: Quarter ending:

Date Converted to LKR (dd/mm/yyyy)	Inward Remittance Currency	Amount Converted			Incentive Paid in LKR
		Equivalent in USD	Rate	Equivalent in LKR	
Total Amount to be Reimbursed for the Quarter Ending					

We certify that the information contained in the above return is accurate and complete and has been extracted from the books of accounts and customer lists maintained by the bank.

Signature:

Name: Chief Executive Officer Chief Compliance Officer Chief Financial Officer

Designation:

Date:



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CENTRAL BANK OF SRI LANKA

Our Ref: 33/04/012/0011/006

27 January 2021

To: Chief Executive Officers of All Licensed Banks

Amendments to the Operating Instructions issued to Licensed Banks on "Incentive Scheme on Inward Remittances"

This is with reference to the Operating Instructions issued to Licensed Banks (LBs) on "Incentive Scheme on Inward Worker Remittances" dated 22.12.2020 and 01.01.2021 (under reference numbers: 33/04/012/0011/004 and 33/04/012/0011/005), respectively.

The cost of the incentive of Rs. 2 per US Dollar (USD) as mentioned in the aforementioned Operating Instructions is borne by the Government of Sri Lanka.

Following from the above, all LBs are hereby required to sell to the Central Bank of Sri Lanka (CBSL) ten *per centum* of the inward worker remittances which are converted to LKR, in USD, as per the listed guidelines below, with immediate effect.

1. Frequency and the Threshold of USD Sales to the CBSL

- (a) Once ten *per centum* of total converted inward worker remittances of an LB equals USD 1.0 Mn on a particular working day, such LB is hereby required to sell to the CBSL the said amount, in USD.
- (b) Notwithstanding the provisions of paragraph 1. (a) above, every LB is required to ensure sale of ten *per centum* of the total converted inward worker remittances of such LB to the CBSL, in any given quarter, in USD.
- (c) Sale of foreign currency to the CBSL referred to in paragraphs 1. (a) and (b) above shall be made on the first working day:
 - (i) after the working day that the said ten *per centum* of the total converted inward worker remittances equal USD 1.0 Mn, or
 - (ii) after the last working day of a given quarter, whichever occurs earlier.

2. Applicable USD / LKR Exchange Rate for Sale of USDs to the CBSL

The volume weighted average of the USDs / LKR exchange rate shall be applicable for the sale of USD to the CBSL. In case of converted currencies other than USDs, the USD / LKR rate shall be derived, as appropriate.

3. Tenor Basis for Settlement

Each transaction between the CBSL and an LB shall be on "TOM (i.e.: T+1)" basis.

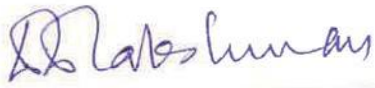
4. Settlement Instructions

In settlement, LBs are required to follow the standard USD / LKR settlement instructions. In executing, LBs are required to execute deals through "Thomson Reuters" or "Bloomberg" trading platforms. However, if any LB does not have access to such trading platforms, the said LB is required to use official e-mail as a source for deal execution.

5. Submission of Information

LBs are required to duly complete the following template in a "MS Excel format" named as "Remittance Conversions for the Week/Quarter ending - " (*Name of the LB*) and are required to e-mail to dfx@cbsl.lk on weekly/ quarterly basis, as may be applicable.

For further information or clarification, you may contact the International Operations Department of the CBSL on 0112398711, 0112477595 or on 0761754680.



Deshamanya Prof. W D Lakshman
Governor
Central Bank of Sri Lanka

Reporting Template

Date Converted to LKR (dd/mm/yyyy)	Inward Remittance Currency	Equivalent USD Amount (to Nearest Whole Figure)	Applicable USD/LKR Rate
Volume (USD) Weighted Average Rate Applicable to USD LKR for the Week Ending (rounded to two decimal places)			xxx.xx