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இலங்கை மத்திய வங்கி  
**CENTRAL BANK OF SRI LANKA**

22<sup>nd</sup> 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**

<b>Channel of Remittance</b>	<b>Point of Paying the Incentive</b>
<b>(a)</b> 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>(b)</b> Converting Foreign Currency Notes	When the foreign currency notes are converted in to LKR
<b>(c)</b> 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**