Exchange Control in Sri Lanka: The Need of a Further Liberalization

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This article explains how and to what extent the exchange control in Sri-Lanka was so far liberalised within the existing law introduced in 1953 and whether the extent of current liberalization is adequate for the country to sustain a high rate of economic growth with necessary precautions to prevent any unexpected foreign exchange crises.

1.1 Meaning of Foreign Exchange.

Foreign exchange generally means foreign currency and includes even any foreign assets that can be used to serve functions of foreign money i.e., a medium of exchange for international payments, a medium of deferred payments for international transactions and a medium of liquid store of internationally usable wealth. As defined in the law of exchange control in Sri-Lanka, foreign exchange means foreign currency, and include all deposits, credits, balances payable in foreign currency and any such drafts, traveller's cheques, letters of credit and bills of exchanges expressed or drawn in Sri-Lankan currency but payable in any foreign currency.