



**BANK OF PAPUA NEW GUINEA**

---

## **PUBLIC NOTICE**

### **FOREIGN EXCHANGE CONTROL DIRECTIVES**

**5<sup>th</sup> March 2015**

The following directives are issued by the Bank of Papua New Guinea (BPNG or Central Bank) in line with the Foreign Exchange Control Manual, effective from Thursday, 5<sup>th</sup> March 2015.

#### **1. Use of Kina denominated (Vostro) Accounts of Foreign Banks**

Only licensed banks in Papua New Guinea (PNG) are allowed to conduct banking business by accepting deposits, providing loans and converting currency (kina and foreign currency). It has become evident that foreign banks are doing banking business in PNG through their kina accounts held with domestic banks which are also called Vostro accounts. Kina remittances for the receipt or payment of foreign currency must be done through Authorised Foreign Exchange Dealers. ***Direct Kina deposits by PNG Residents into Vostro accounts of foreign banks are not permitted.***

There are currently six Authorised Foreign Exchange Dealers in PNG; Bank South Pacific, ANZ Bank, Westpac Bank, Kina Bank, Moniplus Ltd and First Investment Finance Ltd (FIFL).

##### **1.1 Cessation of Kina deposits in Vostro accounts of foreign banks without foreign currency conversion**

As of the date of this Public Notice, all Kina deposited into Vostro accounts of foreign banks have to be from conversion of foreign currency into Kina through an Authorised Foreign Exchange Dealer. The conversion of foreign currency deposits into Kina by residents via those Vostro accounts has to be done through an Authorised Foreign Exchange Dealer.

## 1.2 All Outward Remittances

All outward remittances (telegraphic transfers and drafts) must be in foreign currency and done through an Authorised Foreign Exchange Dealer.

## 2. Onshore Foreign Currency Accounts

The Authorised Foreign Exchange Dealers have a delegated responsibility from BPNG to open onshore foreign currency accounts for PNG Residents.

### 2.1 Cessation of opening of new foreign currency account

As of Thursday 5<sup>th</sup> March 2015, Authorised Foreign Exchange Dealers have been directed to cease opening any new foreign currency accounts for PNG Residents.

### 2.2 Audit of onshore foreign currency accounts

BPNG has commissioned an audit of existing onshore foreign currency accounts and will issue further directives based on the findings of the audit.

## 3. Offshore Foreign Currency Accounts

### 3.1 Types of offshore foreign currency accounts approved by Bank of Papua New Guinea

There are two categories of offshore foreign currency accounts approved by BPNG. The first are those approved by BPNG and established under Project Development Agreements. The second are those approved by BPNG without Project Development Agreements. ***These accounts are to be used by the holders for the sole purpose of paying their offshore liabilities.***

### 3.2 Three months repatriation requirement

***The Bank has introduced a three months repatriation requirement from the day of shipment of export,*** for those offshore foreign currency accounts held by Resident Exporters that were approved by BPNG. The balances in these accounts can be used only for payment of their foreign liabilities, and any surplus repatriated to PNG and deposited into their domestic foreign currency accounts.

Alternatively, this foreign currency can be converted to kina, through the Authorised Foreign Exchange Dealers.

### **3.3 Audit of offshore foreign currency accounts**

BPNG has commissioned an audit of offshore foreign currency accounts. Until completion of the audit, the Central Bank will not approve the opening of any new offshore foreign currency accounts.

### **3.4 Offshore Kina and foreign currency accounts for trade-related purposes opened without Bank of Papua New Guinea approval**

All offshore Kina and foreign currency accounts opened for trade-related purposes, without the prior approval of BPNG, are given a grace period of two (2) months to 6<sup>th</sup> May 2015 to close the accounts and convert the balances into Kina. Those in need of offshore foreign currency accounts can apply to the Central Bank.

## **4. Breaches of these directives**

Any breaches of these directives will be dealt with in accordance with the *Central Banking (Foreign Exchange and Gold) Regulation*.

## **5. Foreign Exchange Manual**

A revised Foreign Exchange Manual incorporating these directives will be issued.

Enquiries on these directives are to be directed to Assistant Governor, Monetary & Economic Policy Group, Bank of Papua New Guinea, P.O. Box 121, Port Moresby, National Capital District, telephone 3227367.

Authorised by:

**Loi M Bakani CMG**

**Governor**