



BANK OF PAPUA NEW GUINEA

FOREIGN EXCHANGE MANUAL

FOR AUTHORISED DEALER AND PUBLIC USE

ISSUED: JULY 2022

CENTRAL BANKING ACT 2000

**CENTRAL BANKING (FOREIGN EXCHANGE AND GOLD) REGULATION
NOTICES**

FOREIGN EXCHANGE MANUAL

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INTRODUCTION TO THE FOREIGN EXCHANGE NOTICES

Authority to administer exchange controls under the Central Banking Regulation is vested in the Bank of Papua New Guinea. The Bank of Papua New Guinea issues instructions, directions and requirements to the Authorized Dealers in respect of a transaction or classes of transactions in accordance with Regulation 2(2) of the Central Banking Regulation.

The Notices contained in this Foreign Exchange Manual are issued by the Bank of Papua New Guinea primarily for use by Authorized Dealers in Papua New Guinea. All Notices are nonetheless available to the general public for reference purposes and, where appropriate, can be relied upon for guidance by persons other than Authorized Dealers.

THESE NOTICES DATED JULY 2022 REPLACE ALL PREVIOUS FOREIGN EXCHANGE CONTROL NOTICES (PREVIOUSLY CALLED “NOTICES TO AUTHORISED DEALERS”) ISSUED BY THE BANK OF PAPUA NEW GUINEA.

DEFINITIONS OF TERMS USED IN THE FOREIGN EXCHANGE NOTICES

“Authorized Dealer” – means each of the entities licensed to be an Authorized Dealer of foreign exchange under the Central Banking Regulation;

“Balance of Payment Reporting Forms” or **“BOP Forms”** – means the Balance of Payment Reporting Forms listed in FE Notice 2 in this Manual;

“Central Banking Regulation” – means the *Central Banking (Foreign Exchange and Gold) Regulation*, as amended from time to time;

“Conditions” – means those conditions listed in Schedule 4 of the Exemption Notice;

“Exchange Control” – means the control of foreign exchange and gold transactions under the Central Banking Regulation;

“Exemption Notice” – means the Exemption Notice gazetted on 3rd September 2007 - together with the Conditions to that Exemption Notice in respect of exemptions from certain provisions of the Central Banking Regulation, such Exemption Notice being substantially in the form of FE Notice 22;

“Foreign Exchange Manual” or **“Manual”** – means the compilation of all Foreign Exchange Notices;

“Foreign Exchange Notices” or **“FE Notices”** – means one (or more) of the Foreign Exchange Notices in this Manual;

“Notification” – means to inform and supply to the Bank of Papua New Guinea information and documents on a transaction (or a class of transactions) or to request for information, guidance and advice on the same covered in this Manual;

“Person” – means an individual, or a corporation or any other entity having legal personality.

REFERENCE TO THE BANK

All questions or uncertainties in relation to the Notices or any aspect of exchange control should be referred to the International Transactions Monitoring Unit (ITMU) of the Bank of Papua New Guinea.

INCONSISTENCIES

In the event of any inconsistency between the Central Banking Regulation, the Foreign Exchange Notices the Exemption Notice, Summary Foreign Exchange Guidelines and Balance of Payments Reporting Framework, the Central Banking Regulation will prevail.

1. FE Notice 1 – Authorised Dealers

1.1 Introduction

This FE Notice is issued by the Bank of Papua New Guinea solely for use by Authorized Dealers in Papua New Guinea. The FE Notice lists the commercial banks and other institutions which have been authorised by the Bank of Papua New Guinea under the Central Banking Regulation to act as Authorized Dealers and defines their functions. Its purpose is to give certain directions to Authorized Dealers and to lay down certain requirements in respect of matters under the Central Banking Regulation, which the Authorized Dealers are empowered to deal with. This Notice is available to the general public for reference purposes only.

1.2 Authorised Dealers of Foreign Exchange

(a) The Authorised Dealers in Papua New Guinea are:

- (i) Australia and New Zealand Banking Group (PNG) Limited;
- (ii) BSP Financial Group Limited;
- (iii) Westpac Bank-PNG-Limited;
- (iv) Kina Bank Limited;
- (v) First Investment Finance Limited
- (vi) Heduru Moni (Moni Plus) Limited; and
- (vii) Other institutions authorised by the Bank of Papua New Guinea from time to time.

These have been authorised as Authorised Dealers for the purposes of the Central Banking Regulation and may exercise the powers set out in paragraph (b) below within the limits laid down from time to time in FE Notices issued by the Bank of Papua New Guinea.

(b) The Authorised Dealers may:

- (i) deal in all Foreign Currencies and for this purpose open and maintain accounts in those currencies; and
- (ii) authorise the purchase and sale of such currencies.

(c) Authorised Dealers must obtain an original taxation clearance certificate in respect of all transactions, where its production is required by law. (See FE Notice 19 – Tax Surveillance).

1.3 Exemptions

The Bank of Papua New Guinea by publication of an Exemption Notice gazetted on 3rd September 2007 has granted a number of exemptions from the requirement to obtain authorities from the Bank of Papua New Guinea under the Central Banking Regulation. These exemptions are subject to strict compliance with a number of Conditions, which relate principally to the reporting obligations of parties who would formerly have required authority under the Central Banking Regulation. Details of the exemptions and the Conditions on which the exemptions are granted are set out in FE Notice 22.

FAILURE TO OBSERVE A CONDITION MEANS THAT THE PARTICULAR TRANSACTION IS NOT EXEMPT UNDER THE CENTRAL BANKING REGULATION AND SEVERE PENALTIES MAY APPLY.

PENALTIES FOR BREACHES OF THE REGULATION INCLUDE FINES OF UP TO K100,000.00 OR 25% OF THE VALUE OF ASSET OR TRANSACTION, WHICHEVER IS GREATER AND/OR IMPRISONMENT FOR UP TO 5 YEARS.

Unless elsewhere prescribed, all reporting must be completed within 30 days of the transaction, matter or thing occurring.

Any questions or uncertainties in relation to the exemptions should be referred to the ITMU of the Bank of Papua New Guinea, by an Authorised Dealer.

1.4 Notifications under the Central Banking Regulation

- (a) Notifications under the Central Banking Regulation should normally be directed to the Authorised Dealers who will, if necessary, consult the Bank of Papua New Guinea.
- (b) Any original supporting documentation, which is returned to the customer, should be signed, dated and stamped by the Authorised Dealer concerned to signify that the documentation has been sighted and used to support a Notification. Duplicate copies of documentation are not normally acceptable in support of a Notification.

1.5 Supply of BOP Forms

The general public can collect the BOP Forms from an Authorized Dealer (see FE Notice 2).

An Authorised Dealer can obtain the Forms from the Bank of Papua New Guinea.

1.6 Customer Enhanced Due Diligence and Identification

- (a) Authorised Dealers must undertake a due diligence and obtain all relevant customer and related transaction or business information, before conducting business with their customers. Authorized Dealers must also maintain an internal system of customer identification when dealing with Resident and Non-Resident customers.
- (b) An Authorised Dealer must ensure that all foreign exchange transactions of its customers shall clearly identify the transacting parties; the owner of the transaction or good, as well as the arrangements for changes to ownership and title; risk ownership and sharing arrangements; and the ultimate beneficiary.
- (c) Where applicable, all BOP Forms must be completed, signed, dated, and stamped and delivered by customers to Authorized Dealers. The Authorized Dealers should verify, stamp, sign and date the Forms, where applicable, and forward them to the Bank of Papua New Guinea in accordance with the directions given in FE Notice 2 and other relevant FE Notices.
- (d) An Authorised Dealer must ensure that consistency checks are done for all data and information sources and sign and date on a checklist before a:
 - (i) foreign exchange transaction is effected; or
 - (ii) foreign exchange order is sent to the Bank of Papua New Guinea for clearance.
- (e) Foreign exchange remittance to or from tax haven economies are not permitted, unless a specific authority of the Internal Revenue Commission is produced by a customer. The implementation of FE Notice 19 is now subject to this requirement.

1.7 Notification to Resident and Non-Resident Customers

In addition to the completion and submission of relevant BOP Forms, Authorized Dealers must inform their Resident customers who undertake capital transactions (i.e. loans, equity, money market investments, etc.) through Foreign Currency accounts that they must submit copies of the signed, stamped and dated contractual and other supporting documents to the Bank of Papua New Guinea.

2. FE Notice 2 – Balance of Payments Reporting Forms and Reporting Requirements

2.1 Introduction

This FE Notice lists the BOP Forms that are to be used in the collection of BOP information in Papua New Guinea. The Notice sets out the circumstances in which the Forms are to be completed. The Notice also advises where authority of the Bank of Papua New Guinea is required under the Central Banking Regulation.

By this Notice, the Bank of Papua New Guinea directs that Authorized Dealers in Papua New Guinea use the BOP Forms and requires the general public, in undertaking transactions in Papua New Guinea Currency or Foreign Currency with the Authorized Dealers, to use the BOP Forms.

Where an Authorized Dealer is in doubt of an act or thing, a Notification should be made to the Bank of Papua New Guinea for the appropriate BOP Form(s) to be used.

All BOP Forms, either provided through an Authorised Dealer or direct to the Bank of Papua New Guinea, must be signed, dated and stamped by entities, where applicable. In the case of individuals, the Forms must be signed and dated.

Where required, the BOP Forms must be submitted to an Authorised Dealer or the Central Bank with relevant supporting documents.

2.2 Types of BOP Forms, Requirements and Validity

BOP Form X (FORM-X) – Notification of Receipts for Exports or Export-Related Receipts by Business Entities and Individuals Resident in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 6)</i>	To record export proceeds, including freight, insurance and other export related receipts for BOP reporting.	i. For a receipt or series of receipts in relation to export of physical goods through an Authorized Dealer. ii. Where advised specifically by the Bank of Papua New Guinea. The Form must be completed and submitted by the Resident to the Bank of Papua New Guinea through an Authorized Dealer.
BOP FORM M (FORM-M) – Notification of Payment for Imports or Import-Related Charges by Business Entities and Individuals Resident in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 5)</i>	To record payments for imports into Papua New Guinea and to capture information on different categories of imports and import-related payments for BOP reporting. Used for Notification of payments related to imports, bona fide freight payments, insurance cover, clearing and forwarding charges etc. incurred in the purchase and shipment of physical goods. For amounts in excess of K10,000.00 (or foreign currency equivalent).	i. For a payment or series of payments for imports in Foreign Currency through an Authorized Dealer ii. Where advised specifically by the Bank of Papua New Guinea. The Form must be completed and submitted by the Resident to the Bank of Papua New Guinea through an Authorized Dealer.

BOP FORM AGRREGATE M (AGGREGATE-M) – Notification of Payment for Imports or Import-Related Charges by Business Entities and Individuals Resident in Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 5)</i>	<p>To record payments for imports into Papua New Guinea for BOP reporting.</p> <p>Used for Notification of import payments.</p> <p>For amounts between K5,000.00 and K10,000.00 (or foreign currency equivalent).</p>	<p>i. For a payment or series of payments for imports in Foreign Currency through an Authorized Dealer.</p> <p>ii. Where advised specifically by the Bank of Papua New Guinea.</p> <p>The Form must be completed and submitted to the Bank of Papua New Guinea by an Authorized Dealer.</p>

BOP FORM R2 (FORM-R2) – Notification of Inward Receipt of Kina or Foreign Currency by Business and Individuals in Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
	<p>For collection of information on inflow of funds not covered elsewhere for BOP reporting.</p> <p>Used for Notification of non-export related receipts in Papua New Guinea.</p> <p>For amounts in excess of K10,000.00 (or foreign currency equivalent).</p>	<p>For receipt of Foreign Currency of transactions such as transportation; travel; education; insurance services; other financial services; computer and information services; communication services; other business services; operational leasing; consultancy and management fees; royalties and licensing fee; superannuation funds and employee compensation; construction services; interest, dividends, taxes, etc. through an Authorized Dealer.</p> <p>The Form must be completed and submitted by the Resident to the Bank of Papua New Guinea through an Authorized Dealer.</p>

BOP FORM AGGREGATE R2 (AGGREGATE-R2) – Notification of Inward Receipt of Kina or Foreign Currency by Business and Individuals in Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
	<p>For collection of information on inflow of funds not covered elsewhere for BOP reporting.</p> <p>For amounts between K5,000.00 and K10,000.00 (or foreign currency equivalent).</p>	<p>For receipt of Foreign Currency of transactions such as transportation; travel; education; insurance services; other financial services; computer and information services; communication services; other business services; operational leasing; consultancy and management fees; royalties and licensing fee; superannuation funds and employee compensation; construction services; interest, dividends, taxes, etc. through an Authorized Dealer.</p> <p>The Form must be completed and submitted to the Bank of Papua New Guinea by an Authorized Dealer.</p>

BOP FORM R1 (FORM-R1) – Notification of Outward Remittance of Foreign Currency by Business Entities and Individuals Resident in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 20)	<p>For collection of information on other types of remittances overseas not covered elsewhere for BOP reporting.</p> <p>For amounts in excess of K10,0000.00 (or foreign currency equivalent).</p>	<p>i. Whenever a Resident remits Foreign Currency overseas.</p> <p>ii. For payments in Foreign Currency of transactions such as transportation; travel; education; insurance services; other financial services; computer and information services; communication services; other business services; operational leasing; consultancy and management fees; royalties and licensing fees; superannuation funds and employee compensation; construction services; interest, taxes, etc. through an Authorized Dealer.</p> <p>The Form must be completed and submitted by the Resident to the Bank of Papua New Guinea, through an Authorized Dealer.</p>

BOP FORM AGREGATE R1 (AGGREGATE-R1) – Notification of Outward Remittance of Foreign Currency by Business Entities and Individuals Resident in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 20)	<p>For collection of information on other types of remittances overseas not covered elsewhere for BOP reporting.</p> <p>For amounts between K5,000.00 and K10,0000.00 (or foreign currency equivalent).</p>	<p>i. Whenever a Resident remits Foreign Currency overseas.</p> <p>ii. For payments in Foreign Currency of transactions such as transportation; travel; education; insurance services; other financial services; computer and information services; communication services; other business services; operational leasing; consultancy and management fees; royalties and licensing fees; superannuation funds and employee compensation; construction services; interest, taxes, etc. through an Authorized Dealer.</p> <p>The Form must be completed and submitted to the Bank of Papua New Guinea by an Authorized Dealer.</p>

BOP FORM R1(D) (FORM-R1(D)) – Notification of Outward Remittance of Dividend by Business Entity in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 20)	Notification by a business entity in Papua New Guinea of payment of	Whenever a dividend or a branch profit is remitted overseas in Foreign Currency through

	dividend for BOP reporting and to maintain a registry of outflows of income associated with private foreign investment in Papua New Guinea.	an Authorized Dealer. The Form must be completed and submitted by the Resident to the Bank of Papua New Guinea through an Authorized Dealer.
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BOP FORM C1 (FORM-C1) - Application for Taking Physical Cash in Kina or Foreign Currency out of Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 8)</i>	To monitor physical cash in notes and coins taken out of Papua New Guinea and for BOP reporting. For amounts in excess of K20,000.00 (or foreign currency equivalent).	<ul style="list-style-type: none"> i. Whenever a traveler intends to send or take physical cash in notes and coins in Kina (or Foreign Currency equivalent) out of Papua New Guinea. ii. Where authority of the Bank of Papua New Guinea is required to send or take physical cash in notes and coins abroad. <p>The Form must be completed and submitted by the Resident (or Non-Resident) directly to the Bank of Papua New Guinea or through an Authorized Dealer.</p>

BOP FORM G1 (FORM-G1) – Notification of Papua New Guinea Guarantees or Securities issued in Favour of Non-Residents Outside Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 10)</i>	For collection of information on Papua New Guinea guarantees or securities, to monitor contingent liabilities to Non-Residents outside Papua New Guinea.	<ul style="list-style-type: none"> (i) Whenever a Papua New Guinea Resident issues a guarantee or security in favour of an overseas Resident. (ii) Whenever a change is effected to an existing Papua New Guinea guarantee or security. <p>The Form must be completed and submitted by the Resident directly to the Bank of Papua New Guinea.</p>

BOP FORM LA (FORM-LA) – Notification for Borrowing in Foreign Currency by Business Entities and Individuals Resident in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 15)	<p>For collection of information to maintain a registry of external private debt, which is used for reporting Papua New Guinea's private external debt position.</p> <p>Used for Notification of the following particulars:</p> <ul style="list-style-type: none"> i. purpose of borrowing; ii. details of the lender; iii. details of the loan and draw-downs; iv. schedule of interest, fees and principal repayment; and v. location and details of any security (guarantees, assets, bank accounts, instruments, etc.) involved in a transaction. 	<p>Whenever a Resident Person enters into an agreement for new offshore Foreign Currency borrowing or any variation, reconstruction or amendment to the terms a loan.</p> <p>The Form must be completed and submitted by the Resident directly to the Bank of Papua New Guinea.</p>

BOP FORM L1 (FORM-L1) – Notification of Foreign Currency Loan Draw-down from Offshore by Business Entities and Individuals Resident in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 15)	<p>For collection of information on actual loan draw-downs for BOP reporting and to maintain a registry of external private debt, used for reporting Papua New Guinea's private external debt position.</p> <p>Used for Notification of actual loan draw-downs by Resident Persons in Papua New Guinea.</p>	<p>To be completed for each and every Foreign Currency loan draw-down at the time the money comes onshore through an Authorized Dealer.</p> <p>The Form must be completed and submitted by the Resident to the Bank of Papua New Guinea through an Authorised Dealer.</p>

BOP FORM L2 (FORM-L2) – Notification of Foreign Currency Repayments of Principal, Interest and Other Fees by Business Entities and Individuals Resident in Papua New Guinea to a Non-Resident		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 15)	<p>For collection of information on actual loan principal repayments, interest payments, commitment fees, penalties and other charges for BOP reporting and to maintain a registry of external private debt.</p> <p>Information is used for monitoring outflows to ensure that they are consistent with the original or amended loan terms.</p> <p>Used for Notification of payments relating to Foreign Currency borrowings by Resident Persons in Papua New Guinea.</p>	<p>i. Whenever a Resident Person pays interest or other charges on Foreign Currency borrowing to a Non-Resident through an Authorized Dealer.</p> <p>ii. Whenever a Resident Person repays principal on Foreign Currency borrowing to a Non-Resident through an Authorized Dealer.</p> <p>The Form must be completed and submitted by the Resident to the Bank of Papua New Guinea through an Authorised Dealer.</p>

BOP FORM LC (FORM-LC) – Notification of Historical Data on Loans from Offshore Sources by Resident Entities and Individuals of Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 15)	<p>For Notification of historical information on borrowings in Foreign Currency from offshore by entities and individuals in Papua New Guinea.</p>	<p>Whenever a Resident Person enters into an agreement for offshore Foreign Currency borrowing.</p> <p>Where advised specifically by the Bank of Papua New Guinea.</p> <p>The Form must be completed and submitted by the Resident directly to the Bank of Papua New Guinea.</p>

BOP FORM LB (FORM-LB) - Notification of Borrowing from Papua New Guinea by Non-Residents Outside Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 15)	<p>For collection of information to maintain a registry of domestic external private debt, which is used for reporting Papua New Guinea's domestic private external debt position.</p> <p>Used for Notification of the following particulars:</p> <ul style="list-style-type: none"> i. purpose of borrowing; ii. details of the lender; iii. details of the loan and draw-downs; iv. schedule of interest, fees and principal repayment; and v. location and details of any security (guarantees, assets, bank accounts, instruments, etc.) involved in a transaction. 	<p>Whenever a Resident Person enters into an agreement for new domestic Kina or Foreign Currency lending to Non-Residents outside Papua New Guinea or any variation, reconstruction or amendment to such a transaction.</p> <p>The Form must be completed and submitted by the Resident party to the loan transaction directly to the Bank of Papua New Guinea.</p>

BOP FORM L1(B) (FORM-L1(B)) - Notification of Draw-down of Loans from Papua New Guinea by Non-Residents Outside Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 15)	<p>For collection of information on actual loan draw-downs for BOP reporting and to maintain a registry of domestic private external debt, used for reporting Papua New Guinea's external debt position.</p> <p>Used for Notification of actual loan draw-down payments by Resident Persons in Papua New Guinea to Non-Residents.</p>	<p>To be completed for foreign currency equivalent of each and every Kina loan draw-down payment at the time the money is remitted to a Non-Resident outside Papua New Guinea, through an Authorized Dealer.</p> <p>Drawdowns on Kina loans must be converted and remitted overseas only in Foreign Currency through an Authorised Dealer in Papua New Guinea.</p> <p>The Form must be completed and submitted by the Resident party to the loan transaction to the Bank of Papua New Guinea through an Authorised Dealer.</p>

BOP FORM L2(B) (FORM-L2(B)) – Notification of Receipt of Principal, Interest and Other Fees by Residents in Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 15)	<p>For collection of information on the receipt of actual loan principal repayments, interest payments, commitment fees, penalties and other charges for BOP reporting and to maintain a registry of domestic private external debt.</p> <p>The information is used for monitoring inflows to ensure that they are consistent with the original or amended loan terms.</p> <p>Used for Notification of receipts relating to Kina or Foreign Currency lending to Non-Residents outside Papua New Guinea.</p>	<p>i. Whenever a Resident Person receives principal, interest or other charges on Foreign Currency lending to a Non-Resident outside Papua New Guinea, through an Authorised Dealer.</p> <p>ii. Whenever a Resident Person lends Foreign Currency loans to a Non-Resident outside Papua New Guinea.</p> <p>The Form must be completed and submitted by the Resident party to the loan transaction to the Bank of Papua New Guinea through an Authorised Dealer.</p>

BOP FORM V1 (FORM-V1) – Notification of Foreign Investment in Papua New Guinea by Non-Residents and Operation of Non-Resident Accounts with Authorised Dealers

FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 16)	<p>For collection of information on actual foreign equity and other investments for BOP reporting and to maintain a registry of private foreign equity investment and to monitor and analyze Papua New Guinea's external investment position.</p> <p>Used for Notification of foreign investment in a new or existing business entity, to acquire property from a Resident Person in Papua New Guinea or to deposit funds in Papua New Guinea.</p> <p>Also used for Notification by Non-Resident to open Kina or Foreign Currency account for investments specified on the Form.</p> <p>The Form is also used to capture non-cash transaction type(s) specified on it.</p>	<p>Whenever a Non-Resident Person brings Foreign Currency into Papua New Guinea for:</p> <p>i. the purchase of property from a Resident Person in Papua New Guinea,</p> <p>ii. the purchase of domestic company or government securities, real estate or other domestic capital assets;</p> <p>iii. the placing of funds on deposit with an Authorized Dealer or such other entity in Papua New Guinea; and</p> <p>iv. re-organization of existing foreign assets and liabilities of an entity in Papua New Guinea.</p> <p>The Form must be completed and submitted by the Resident party of the investment to the Bank of Papua New Guinea through an Authorized Dealer.</p>

BOP FORM VE (FORM-VE) – Notification of Historical Stock of Inward Equity Investments in Resident Entities by Non-Resident Business Entities and Individuals – Historical Details

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 16)</i>	<p>Notification of historical details for verification of inward equity investment in a Papua New Guinean entity, including details of:</p> <ul style="list-style-type: none"> i. the Papua New Guinea entity; ii. particulars of investment; iii. details of major non-Resident shareholders; and iv. particulars of dividends/profit remittances overseas. 	<p>Whenever a Resident entity in Papua New Guinea receives Foreign Currency for investment purposes.</p> <p>The Form must be completed and submitted by a Resident business entity directly to the Bank of Papua New Guinea.</p>

BOP FORM V2 (FORM-V2) – Notification of Remittance of Foreign Currency Arising from the Sale or Liquidation of Investments in Papua New Guinea, the Repayment of Funds Placed on Deposit in a Non-Resident Kina or Foreign Currency Account with an Authorized Dealer

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 16)</i>	<p>For collection of information on equity and other capital outflows for BOP reporting and to maintain a registry of foreign investment and analyzing Papua New Guinea's private foreign investment position.</p>	<p>Whenever a remittance is to be made to a Non-Resident outside Papua New Guinea, following the sale (or liquidation) of a foreign investment or property in Papua New Guinea.</p> <p>At maturity the Non-Resident Kina deposit must be converted into Foreign Currency and remitted overseas through an Authorised Dealer.</p> <p>The Form must be completed and submitted by the Resident party to the transaction to the Bank of Papua New Guinea through an Authorized Dealer.</p>

BOP FORM V3 (FORM-V3) – Notification of Outward Investment in Foreign Currency by Residents of Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 16)</i>	<p>For collection of information on outward equity and other investments for BOP reporting and to maintain a registry of domestic private overseas investment and for monitoring and analyzing Papua New Guinea's domestic private external investment position.</p>	<p>Whenever a Resident Person remits Foreign Currency for:</p> <ul style="list-style-type: none"> i. acquisition of property outside Papua New Guinea; ii. investment in company or government

	<p>Used for Notification of remittance of Foreign Currency for investment in overseas assets.</p> <p>The Form is also used for Notification of a change of investments or assets held outside Papua New Guinea by Residents of Papua New Guinea.</p>	<p>securities; and</p> <p>iii. placement of funds on deposit in money market investment.</p> <p>The Form must be completed and submitted by the Resident investor to the Bank of Papua New Guinea through an Authorized Dealer.</p>
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BOP FORM V3(A) (FORM-V3(A)) - Notification of Historical Data on Overseas Assets held by Residents of Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 16)</i>	<p>For collection of historical information on stock of assets of any form held outside Papua New Guinea and to maintain a registry of overseas assets, and for monitoring and analyzing Papua New Guinea's external investment position.</p>	<p>Whenever a Resident of Papua New Guinea has acquired and has direct and indirect control over an asset of any form held outside Papua New Guinea.</p> <p>The Form must be completed and submitted by the Resident investor directly to the Bank of Papua New Guinea.</p>

BOP FORM V4 (FORM-V4) – Notification of Sale and Liquidation of Foreign Investments by Residents of Papua New Guinea

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 16)</i>	<p>For collection of information on inflows of Resident capital for BOP reporting and to maintain a registry of domestic private external investment for monitoring and analysing Papua New Guinea's external investment position.</p> <p>Used for Notification of transactions representing inward receipts in relation to the sale and/or liquidation of foreign investments listed on the Form.</p> <p>The Form is also used for Notification of a change of investments or assets held outside Papua New Guinea by a Resident of Papua New Guinea.</p>	<p>Whenever a Resident brings Foreign Currency into Papua New Guinea being receipt for:</p> <ul style="list-style-type: none"> i. sale of shares in a foreign business; ii. sale of foreign government securities; iii. sale of other foreign securities; or iv. sale of foreign real estate. <p>The Form must be completed and submitted by a Resident investor to the Bank of Papua New Guinea through an Authorized Dealer.</p>

BOP FORM OS (FORM-OS) – Monthly Report on Foreign Currency Accounts Held by Papua New Guinean Resident Entities

FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 11)</i>	<p>A calendar monthly report on actual Foreign Currency inflows and outflows</p>	<p>Whenever an entity in Papua New Guinea, including a head office or branch office of an</p>

	<p>of an account denominated in a currency other than Kina.</p> <p>The report is to be completed and submitted by a Resident entity within two (2) weeks after the end of each calendar month.</p>	<p>overseas entity, operates an account in a Foreign Currency and makes payments in Foreign Currency or receives Foreign Currency in relation to transactions such as:</p> <ul style="list-style-type: none"> i. exports or imports; ii. freight and insurance; iii. leases; and iv. consultancy fees, etc. <p>The Form must be completed and submitted directly to the Bank of Papua New Guinea by the account-holder.</p> <p>A prior authority of the Bank of Papua New Guinea is required to open a Foreign Currency account outside Papua New Guinea.</p>
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CUSTOMS ENTRY FORM F15 (Form 15) – Declaration Statement Issued and Approved by PNG Customs Services for Export or Import of Physical Goods		
FE NOTICE	PURPOSE	WHEN REQUIRED
<p>(FE Notice 6 & 5)</p>	<p>Used as a supporting document to cross-check consistency of shipping term (F.O.B, C.I.F, C&F), values, volumes and unit price of physical good, with the same data provided on Form-X and Form-M.</p>	<p>When receiving funds for exports, or when making import payments overseas.</p>
TAX CLEARANCE CERTIFICATE (TCC) – Certificate issued by the Internal Revenue Commission (IRC) Confirming that an Overseas Remittance has Satisfied the Tax Requirements and Obligations of the Government		
FE NOTICE	PURPOSE	WHEN REQUIRED
<p>(FE Notice 19)</p>	<p>Used as supporting document to ensure that tax obligations are satisfied before a remittance is made.</p>	<p>When making a remittance overseas of the type set out under FE Notice 19.</p>

3. FE Notice 3 – Determination of Residential Status

3.1 Introduction

This FE Notice sets out the categories of Residential status, which apply in Papua New Guinea as well as the circumstances in which Authorized Dealers may determine and change the Residential status of their customers.

3.2 General

The Central Banking Regulation distinguishes between Residents and Non-Residents of Papua New Guinea. Authorized Dealers are requested to bring to the notice of each customer, and in particular to new account holders:

- (a) the precise status of accounts maintained by the customer with the Authorised Dealer;
- (b) any change in the designation of the customer's account(s) which may result from a change in the customer's Residential status; and
- (c) unless otherwise advised by the Bank of Papua New Guinea, Authorized Dealers must not designate the account of an individual as Non-Resident in circumstances where an existing Resident decides to emigrate from Papua New Guinea.

3.3 Non-Residents of Papua New Guinea

- (a) Diplomatic and Consular Representatives of Foreign Countries and United Nations

Embassies, legations and consulates and diplomatic corps, carrier and established members of embassies, and their dependent families are treated as Non-Residents.

United Nations and its affiliate organisations and their expatriate staff and families are treated as Non-Residents.

Expatriate staff of Diplomatic and Consular Representatives or United Nations, who have current diplomatic visas issued to them by the Government of Papua New Guinea, and their dependent families, are designated as Non-Residents.

- (b) Foreign Banks and Financial Institutions

Foreign banks and financial institutions which have correspondent banking relationships with Authorised Dealers in Papua New Guinea are treated as Non-Residents.

- (c) Other Non-Residents

- (i) Foreign entities which do not operate nor conduct business in Papua New Guinea.
- (ii) Foreign individuals who live in other countries or territories, even though they may visit Papua New Guinea for a period of no more than 180 days.
- (iii) A Resident individual who permanently emigrates from Papua New Guinea.

- (iv) Companies which do not actively trade or operate in Papua New Guinea even though they may be registered in the country as foreign companies.

3.4 Residents of Papua New Guinea

- (a) The Authorised Dealer must designate as Resident of Papua New Guinea:
 - (i) those companies which are locally incorporated or which are registered foreign incorporated companies (or branch of foreign incorporated companies) operating actively in Papua New Guinea;
 - (ii) those partnerships or other non-corporate business entities which are formed in Papua New Guinea or are operating actively in Papua New Guinea; and
 - (iii) other entities (including for profit or otherwise) which are formed in Papua New Guinea or are operating actively in Papua New Guinea.
- (b) An entity is deemed to be operating actively in Papua New Guinea if there exist some representation or location (dwelling, place of production, or other premises) within the country, from which the entity engages directly or indirectly in economic activities and transactions.
- (c) An individual who has resided in Papua New Guinea for six (6) months or longer is a Resident.
- (d) Papua New Guinean employees working for a Diplomatic and Consular Representative or United Nations and its affiliate organisations in Papua New Guinea, are Residents.

3.5 Credits and Debits to Accounts of Non-Residents in Papua New Guinea

FE Notice 11 sets out the types of credits and debits that can be made to the Non-Resident bank accounts.

4. FE Notice 4 – Contracts between Residents Denominated in Kina and Foreign Currency

4.1 Introduction

This FE Notice contains the requirements and procedures that apply to dealings between Residents denominated in foreign currency (or in a currency other than Kina). The Notice is not subject to the exemptions set out in FE Notice 22.

4.2 General Compliance Requirements

Dealings covered by this FE Notice must comply with exemptions, directions and administrative and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines and Balance of Payments Reporting Framework.

4.3 Contracts between Residents denominated in Foreign Currency

- (a) A prior authority of the Bank of Papua New Guinea is required for a Resident to enter into an agreement in writing which creates an obligation in favour of another Resident in a Foreign Currency.
- (b) Obligations under such agreements must be settled in Kina.
- (c) An application must be made directly to the Bank of Papua New Guinea with all relevant information and contracts for assessment.

4.4 Contracts Executed for-and-on behalf of Non-Residents by Residents

- (a) Residents cannot enter into an agreement in writing which creates an obligation in favour of or for the benefit of a Non-resident.
- (b) Obligations under such agreements are not permitted for settlement in any currency.

4.5 Settlement of Contracts for-and-on behalf of Non-Residents by Residents

- (a) Non-Residents or their agents cannot enter into an agreement in writing which permits kina transactions to be made in favour of or for the benefit of a Non-resident.
- (b) Such obligations are not permitted for settlement in kina.

5. FE Notice 5 – Imports to Papua New Guinea

5.1 Introduction

This FE Notice contains the reporting requirements and procedures when making payments for imports into Papua New Guinea, including imports of capital. This Notice is not subject to the exemptions set out in FE Notice 22, with regard to gold imports.

5.2 General Compliance Requirements for Import Payments

Dealings with import payments covered by this FE Notice must comply with exemptions, directions and administrative and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Foreign Exchange Reporting Framework and Enhanced Due Diligence Guidelines.

5.3 Notification Obligations in respect of Imports

Where payments are made for imports that have arrived and cleared by Customs or are in transit to Papua New Guinea, the following will apply.

- (a) The importer will provide to an Authorised Dealer;
 - (i) documentary evidence supporting the purchase and value of the goods (e.g. a copy of sale and purchase agreement, commercial invoice; and bill of lading), and
 - (ii) a copy of Form 15 that has been processed by Customs; and
 - (iii) a duly completed and signed Form-M.
- (b) A nominated Authorised Dealer officer will cross-check and verify the information from all sources, before the import payment is made by the Authorised Dealer.
- (c) An Authorised Dealer will submit one of the Form-M, together with copies of all other supporting documents to the Bank of Papua New Guinea.

Unless otherwise notified by the Bank of Papua New Guinea, all payments for imports into Papua New Guinea must be made in foreign currency and only through an Authorised Dealer.

5.4 Holders of Foreign Currency Accounts

For outflows through the domestic banking system, the following will apply (see FE Notice 11).

- (a) A mineral company will provide to an Authorised Dealer:
 - (i) A copy of the authorisation of the Bank of Papua New Guinea; or
 - (ii) a copy of the gold export license issued by the Bank of Papua New Guinea; or
 - (iii) a copy of gold export approval Form G.

- (b) A petroleum company will provide to an Authorised Dealer:
 - (i) A copy of the authorisation of the Bank of Papua New Guinea; or
 - (ii) a copy of the gazettal notice exempting the company from exchange controls.
- (c) A gas company will provide to an Authorised Dealer:
 - (i) A copy of the authorisation of the Bank of Papua New Guinea; or
 - (ii) a copy of the gazettal notice exempting the company from exchange controls.
- (d) Any other company will provide a copy of the authorisation of the Bank of Papua New Guinea.

5.5 Gold

All applications that relate to the importation of gold must be referred to Bank of Papua New Guinea for consideration in accordance with FE Notice 17.

6. FE Notice 6 – Exports from Papua New Guinea

6.1 Introduction

This FE Notice sets out the administrative and reporting requirements and procedures that apply to the export of physical goods from Papua New Guinea and to the receipt of export proceeds. This Notice is not subject to the exemptions set out in FE Notice 22, with regard to gold exports.

6.2 General Compliance Requirements for Export Receipts

Dealing with export proceeds under this Notice must comply with exemptions, directions and administrative and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines and Foreign Exchange Reporting Framework.

6.3 Notification Obligations in respect of Exports

The following will apply for export proceeds received through an Authorised Dealer.

- (a) The exporter will provide to an Authorised Dealer;
 - (i) documentary evidence supporting the purchase and value of the goods (e.g. a copy of sale and purchase agreement, commercial invoice; and bill of lading), and
 - (ii) a copy of Form 15 that has been processed by Customs; and
 - (iii) a duly completed and signed Form-X.
- (b) A nominated Authorised Dealer officer will cross-check and verify the information from all sources, before the export receipt is processed by the Authorised Dealer.
- (c) An Authorised Dealer will submit one of the Form-X, together with copies of all other supporting documents to the Bank of Papua New Guinea.

Unless otherwise notified by the Bank of Papua New Guinea, all receipts for exports from Papua New Guinea must be received in foreign currency and only through an Authorised Dealer.

6.4 Holders of Foreign Currency Accounts

For inflows through the domestic banking system, the following will apply (see FE Notice 11).

- (a) A mineral company will provide to an Authorised Dealer:
 - (i) A copy of the authorisation of the Bank of Papua New Guinea; or
 - (ii) a copy of the gold export license issued by the Bank of Papua New Guinea; or
 - (iii) a copy of gold export approval Form G.
- (b) A petroleum company will provide to an Authorised Dealer:
 - (i) A copy of the authorisation of the Bank of Papua New Guinea; or

- (ii) a copy of the gazettal notice exempting the company from exchange controls.
- (c) A gas company will provide to an Authorised Dealer:
 - (i) A copy of the authorisation of the Bank of Papua New Guinea; or
 - (ii) a copy of the gazettal notice exempting the company from exchange controls.
- (d) For any other company, a copy of the authorisation of the Bank of Papua New Guinea.

6.5 Requirements for Export Proceeds not Covered by a Project Agreement

- (a) An exporter must repatriate all of its export proceeds onshore and convert it into Kina only with an Authorised Dealer. The repatriation must be done within three (3) months from the shipment date of export. Any offset against offshore liabilities is not permitted.
- (b) For an exporter with an approved offshore Foreign Currency account, any surplus funds left after meeting offshore liabilities must be repatriated to Papua New Guinea within 3 months from the shipment date of export and converted into Kina.

6.6 Requirements for Export Proceeds Covered by a Project Agreement

An exporter with an approved Foreign Currency account, can keep the proceeds in the account to pay its foreign currency liabilities. Provided there is an exemption from exchange controls in effect, any surplus funds left after meeting offshore liabilities must be repatriated to Papua New Guinea within 3 months from the shipment date of export and converted into Kina.

6.7 Completion and Submission of BOP Forms for Export Receipts Retained Abroad

Where an exporter which is not covered by a project development agreement is required under the terms of trade to keep the export proceeds offshore, the exporter must complete and submit the Form-V3(A) directly to the Bank of Papua New Guinea, provided the full proceeds or some of it will be held abroad for no more than three months from the shipment date of export.

An Authorised Dealer must review all of the relevant supporting documents, and where necessary, request from the customer a copy of prior authorization of the Bank of Papua New Guinea to retain export receipts abroad.

6.8 Gold

All applications that relate to the export of gold must be referred to Bank of Papua New Guinea for consideration in accordance with FE Notice 17.

7. FE Notice 7 – Trade Credits

NOT USED

8. FE Notice 8 – Import and Export of Currency Notes, Coins, Bills of Exchange, etc.

8.1 Introduction

The FE Notice defines Foreign Currency and Papua New Guinea Currency and sets out instructions on how to deal with the import and export of such currencies. It also sets out the compliance requirements and reporting obligations for dealing in such currencies, whether carried by a Person or sent through the post. This Notice is not subject to the exemptions set out in FE Notice 22.

8.2 General Compliance Requirements for Import and Export of Currency

Import and export of Currency (Papua New Guinea Currency and Foreign Currency) covered by this FE Notice must comply with the directions and administrative and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Foreign Exchange Reporting Framework and Enhanced Due Diligence Guidelines.

8.3 Definitions of Foreign Currency and Papua New Guinea Currency

- (a) "Foreign Currency" includes notes, coins, postal notes, money orders, bills of exchange, promissory notes, drafts, letters of credit and travellers' cheques, payable or expressed otherwise than in Kina, and also includes rights and instruments of title to any such Foreign Currency.
- (b) "Papua New Guinea Currency" includes notes, coins, postal notes, money orders, bills of exchange, promissory notes, drafts, letters of credit and travellers' cheques, payable or expressed in Kina, and also includes rights and instruments of title to any such Papua New Guinea Currency.

8.4 Imports of Physical Currency

There is no restriction on the import into Papua New Guinea of any legitimate physical Currency; whether it is Foreign Currency or Papua New Guinea Currency.

8.5 Export of Physical Notes and Coins by Travellers

- (a) A person travelling to places outside Papua New Guinea may take or send physical notes and coins, including numismatic notes and coins, expressed in the Papua New Guinea Currency up to K20,000.00 (or the Foreign Currency equivalent). The person must submit an application to an Authorised Dealer for processing and clearance.
- (b) Application for authority to take or send Papua New Guinea Currency in physical notes and coins, including numismatic notes and coins, in excess of K20,000.00 (or the Foreign Currency equivalent) must be made directly to the Bank of Papua New Guinea on Form-C1.
- (c) An application to take or send physical notes and coins abroad must be submitted with the following:
 - (i) An original taxation clearance certificate, where required;
 - (ii) A current passport; and
 - (iii) A current confirmed e-ticket, which must have an e-ticket number allocated to it.

8.6 Additional Provision for Visitors

In addition to the physical Currency exports provided for in Section 8.5 above, visitors to Papua New Guinea (being Persons who are Non-Residents) may take out any physical notes and coins, including notes and coins expressed in Papua New Guinea Currency, which they brought with them. Where doubt exists as to the ownership of such notes and coins, reference should be made to the Bank of Papua New Guinea. The duration of the visit of a visitor should not exceed six (6) months; thereafter reference should be made to the Bank of Papua New Guinea to establish the Residential status of the Person concerned.

10. FE Notice 10 – Guarantees and Securities to or for the Benefit of Non-Residents and Residents of Papua New Guinea

10.1 Introduction

The FE Notice sets out the compliance requirements and reporting obligations of dealings in guarantee and securities between Residents and Non-Residents. This Notice is not subject to the exemptions set out in FE Notice 22.

10.2 General Compliance Requirements for Guarantees and Indemnities

Issuance or acceptance of guarantees and indemnities covered by this FE Notice must comply with the directions and administrative and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Foreign Exchange Reporting Framework and Enhanced Due Diligence Guidelines.

10.3 Authorisation and Reporting for the giving of Security or Indemnity by Residents

- (a) A Resident of Papua New Guinea must obtain a prior authority of the Bank of Papua New Guinea to provide a guarantee or security to a Non-Resident for operations outside Papua New Guinea.
- (b) A Resident entity issuing the guarantee or security must provide:
 - (i) its latest audited financial statement showing retained profits; and
 - (ii) clearly, its business model and demonstrate how it will impact on foreign exchange flows.
- (c) A Resident of Papua New Guinea who enters into an agreement in writing which provides a guarantee or security in respect of the obligations of a Non-Resident or to a Non-Resident in respect of the obligations of any other party, must notify the Bank of Papua New Guinea in writing of the giving of the guarantee or security by completing and submitting Form-G1, together with copies of relevant contracts with full details of the terms and conditions of that guarantee or security.

10.4 Notification of Payments by Residents following the Exercise of Guarantees or Indemnities

An Authorized Dealer must notify the Bank of Papua New Guinea of any payments, or any increase in liability under guarantees or securities to which this Notice relates. Where the guarantee relates to an import transaction, a Form-M should be completed and forwarded to the Bank of Papua New Guinea through an Authorised Dealer immediately after a call on any such guarantee is exercised. In all other cases, the relevant BOP Form must be completed and forwarded to ITMU, of the Bank of Papua New Guinea.

10.5 Guarantees or Indemnities Issued by Non-Residents in Favour of Residents

Residents are not permitted to establish or accept guarantees or indemnities provided in Kina by Non-Residents, in respect of their obligations within or outside Papua New Guinea.

11. FE Notice 11 – Bank Accounts of Residents and Non-Residents

11.1 Introduction

This FE Notice covers all Foreign Currency accounts held by Residents and all Kina and Foreign Currency Accounts held by Non-Residents with Authorized Dealers, as well as all Foreign Currency Accounts held off-shore by Residents (the Relevant Accounts).

11.2 General Compliance Requirements for Resident and Non-Resident Accounts

- (a) The opening and operation of Resident and Non-Resident accounts covered must comply with directions and administrative and reporting requirements of the Foreign Exchange Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Foreign Exchange Reporting Framework and Enhanced Due Diligence Guidelines.
- (b) A Person who is a Resident individual is not permitted to open a foreign currency account, with the exception of (c).
- (c) An individual who is temporarily living abroad as a student or worker may open a foreign currency account outside Papua New Guinea, without the approval of the Central Bank

11.3 Designation of Onshore Kina or Foreign Currency Accounts by Authorised Dealer

Authorised Dealers must designate separately Kina and Foreign Currency accounts in their books as Resident or Non-Resident accounts.

11.4 Compliance Requirements for Resident Foreign Currency Accounts

- (a) Prior approval of the Bank of Papua New Guinea is required to open an account.
- (b) The account holder must use the account only for the approved purpose and must not use it for any other purpose.
- (c) The account holder of the account must ensure that the use of the approved account complies with the conditions imposed on it by the Bank of Papua New Guinea.
- (d) The account holder must submit a monthly actual report on Form- FEOS to the Bank of Papua New Guinea on the beginning and ending balances, inflows and outflows of the account at the end of each month, on the 15th day of each calendar month following the end of the reporting month.
- (e) The account holder must submit a monthly forecast report Form-FEOS to the Bank of Papua New Guinea on the beginning and ending balances, inflows and outflows of the account at the end of each month, on the 15th day of each calendar month following the end of the reporting month.
- (f) The account holder must submit any other report as required by the Bank of Papua New Guinea, from time to time.
- (g) An approved account must not be transferred or assigned to a different name or another Person.

- (h) The account holder must submit a bank documentary evidence on the closure of an account within one (1) month from the date of its closure.
- (i) The account holders must not deposit in the account foreign currency obtained from the domestic foreign exchange market.
- (j) The account holder must not submit a foreign exchange order in the domestic foreign exchange market, if the account has sufficient cash balance to pay for goods and services from abroad.
- (k) An Authorised Dealer must submit a report on the actual cash balance in the account to the Bank of Papua New Guinea on the first day of each calendar month.

11.5 Requirements and Considerations for Residents to Open Foreign Currency Accounts

- (a) Requirements for Application
 - (i) The applicant must be incorporated or registered with Investment Promotion Authority of Papua New Guinea, and provide supporting documentation.
 - (ii) The applicant must provide a written application to Bank of Papua New Guinea, detailing the background and purpose of the need for a foreign currency account.
 - (iii) The applicant must provide a detailed monthly cash flow for the ensuing twenty-four (24) months showing regular inflows and outflows of foreign currency.
 - (iv) The applicant must also provide any other relevant supporting documentation, including tender documents, detailed scope of works, work plan, duration of engagement, and supporting documentation for the works in Papua New Guinea.
- (b) Considerations for Assessment of Application
 - (i) The applicant must be exporting or intends to export physical goods from Papua New Guinea.
 - (ii) The monetary value of physical goods to be exported under (i) must exceed the value determined by the Bank of Papua New Guinea as the weighted average of the total value of non-mineral exports published in Tables 9.2 and 9.3 of the Quarterly Economic Bulletin, for the past four (4) years, but excluding the year of the application.
 - (iii) The applicant must have or will procure significant and on-going contractual liabilities and payments to offshore suppliers of goods and services, and provide supporting documentation.
 - (iv) The applicant is covered by the terms a project agreement or a current exploration tenement licence.
 - (v) Impact on Regulation 6 of the Central Banking Regulation, which requires Residents to settle their obligations in kina.
 - (vi) The Applicant is covered by a project sponsored by the Government of Papua New Guinea.
 - (vii) Domestic foreign exchange market flows.
 - (viii) Any others that may be considered relevant to the application, as determined by the Bank of Papua New Guinea.

11.6 Non-Resident Account Applications

- (a) An Authorised Dealer can deal with a Kina account in line with its internal requirements, for Non-Residents that are in or operating in Papua New Guinea.
- (b) An Authorised Dealer must refer an application to open a Non-Resident Foreign Currency Account to the Central Bank for its assessment and advise.

11.7 Transactions Passed through Non-Resident Kina and Foreign Currency Accounts in Papua New Guinea

- (a) Debits and Credits to Accounts of Diplomatic and Consular Representatives of Foreign Countries and United Nations

Debits	Credits
Payments to Residents of Papua New Guinea, such as current operational expenses.	Deposit from Residents of Papua New Guinea.
Payments to Non-Residents who are in Papua New Guinea or overseas.	Deposits arising from Foreign Currency Conversions.
Payments to the account holder whilst in Papua New Guinea.	Deposit of any surplus Papua New Guinea Currency acquired before leaving the country by the account holder.
The cost of buying any foreign currency.	Deposit from other Non-Residents who are in Papua New Guinea or overseas.
	Interest earned on the account balance.

- (b) Debits and Credits to Accounts of Foreign Employees of Diplomatic and Consular Representatives of Foreign Countries and United Nations

Debits	Credits
Payments to Residents of Papua New Guinea, such as current operational expenses.	Deposit from Residents of Papua New Guinea.
Payments to Non-Residents who are in Papua New Guinea or overseas.	Deposits arising from Foreign Currency Conversions.
Payments to the account holder whilst in Papua New Guinea.	Deposit of any surplus Papua New Guinea Currency acquired before leaving the country by the account holder.
The cost of buying any foreign currency.	Deposit from other Non-Residents who are in Papua New Guinea or overseas.
	Interest earned on the account balance.

- (c) Debits and Credits to Accounts of Other Non-Residents

Debits	Credits
Payments to Residents of Papua New Guinea, such as current operational expenses.	Deposit from Residents of Papua New Guinea.
Payments to Non-Residents who are in Papua New Guinea or overseas.	Deposits arising from Foreign Currency Conversions.
Payments to the account holder whilst in Papua New Guinea.	Deposit of any surplus Papua New Guinea Currency acquired before leaving the country by the account holder.
The cost of buying any foreign currency.	Deposit from other Non-Residents who are in Papua New Guinea or overseas.
	Interest earned on the account balance.

- (d) Debits and Credits to Kina Vostro Accounts of Foreign Banks and Financial Institutions
 - (i) All Kina deposited into Vostro Accounts of foreign banks have to be from conversion of foreign currency into Kina through an Authorised Dealer.
 - (ii) All Kina withdrawals from the Vostro Accounts are for payments to other Non-Residents and Residents in Papua New Guinea. These must be done through an Authorised Dealer.

11.8 Compliance Requirements for Non-Resident Accounts

- (a) An Authorised Dealer must report by account to the Bank of Papua New Guinea beginning and ending balances of Foreign Currency accounts, on the 15th day of the month following the end of the reporting calendar month.
- (b) Where necessary, the Bank of Papua New Guinea may request for additional information for its review to ensure compliance.

11.9 Delivery of Resident and Non-Resident Account Reports to the Bank of Papua New Guinea

- (a) An Authorised Dealer must submit its monthly account report on beginning and ending balances of Resident and Non-Resident Foreign Currency accounts, on the 15th day of the month following the end of the reporting calendar month to ITMU and Balance of Payments Unit, Economics Department of the Bank of Papua New Guinea.
- (b) A Resident holder of a foreign currency account must submit its actual monthly account report on inflows, outflows and beginning and ending balances, on the 15th day of the month following the end of the reporting calendar month, to ITMU and Balance of Payments Unit, Economics Department of the Bank of Papua New Guinea.
- (c) A Resident holder of a foreign currency account must submit its forecast monthly account report on inflows, outflows, actual beginning balance and expected ending balance, on the 15th day of the month following the end of the reporting calendar month, to ITMU, Economics Department of the Bank of Papua New Guinea.

11.10 Taxation Clearance Certificate

- (a) Authorized Dealers may not transfer any funds out of Papua New Guinea, in Foreign Currency to Non-Residents unless there is produced to the Authorized Dealer an original current taxation clearance certificate, in line with FE Notice 19.
- (b) Authorized Dealers should advise their Resident customers that deposits into Non-Resident accounts held in Papua New Guinea will require a taxation clearance certificate, in line with FE Notice 19.
- (c) Resident holders of offshore Foreign Currency Accounts are not allowed to make any corresponding payments out of their accounts for purposes that are subject to taxation clearance unless a current taxation clearance certificate is obtained, in line with FE Notice 19.

15. FE Notice 15 – Borrowings from Residents and Non-Residents

15.1 Introduction

This FE Notice sets out the reporting requirements for borrowing from Non-Residents in foreign currency and lending to Non-Residents in Kina or Foreign Currency.

15.2 Compliance Requirements for Borrowing and Lending

All borrowing and lending by Residents and Non-Residents covered by this FE Notice must comply with exemptions, directions and administrative and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Foreign Exchange Reporting Framework and Enhanced Due Diligence Guidelines.

15.3 Requirements for Borrowing and Lending to Non-Residents in Kina by Residents

All Kina loan drawdowns must be converted into Foreign Currency and remitted to Non-Residents overseas. Loan payments in respect principal, interest and other cost from offshore Non-Residents must be made in Foreign Currency.

15.4 Requirements for Offshore Borrowing in Kina from Non-Residents

Residents are not permitted to borrow in Kina from Non-Residents outside Papua New Guinea.

15.5 Requirements for Offshore Borrowing in Foreign Currency from Non-Residents

Residents can borrow in foreign currency from Non-Residents outside Papua New Guinea.

15.6 Reporting Requirements for Offshore Borrowing in Foreign Currency by Person Resident in Papua New Guinea

All Residents in Papua New Guinea seeking to borrow Foreign Currency denominated loans from offshore must comply with the following requirements:

- (i) Form-LA which has been completed, signed, dated and stamped by the borrower providing full details of the transaction to be undertaken must be submitted directly to the Bank of Papua New Guinea;
- (ii) a copy of the signed, dated and stamped contract (executed loan agreement, guarantees, etc.) must be lodged with the Bank of Papua New Guinea; and
- (iii) Form-L1, which has been completed, signed, dated and stamped by the borrower and a duly authorised officer of an Authorised Dealer, must be submitted to the Bank of Papua New Guinea through an Authorised Dealer for every Foreign Currency loan draw-down.

An Authorised Dealer must ensure that all the required information on Form-L1 is provided before certifying the Form.

15.7 Matters for Consideration by Parties to the Offshore Borrowing

The Bank of Papua New Guinea does not grant a prior authorisation for borrowings under FE Notice 15. Therefore, the following no longer apply:

- (i) the interest rate, fees and charges must be comparable with international financial and capital markets;
- (ii) there must be no condition attached to the financing which may result in the borrower becoming liable for the debts of third parties who are not Residents of Papua New Guinea; and
- (iii) after the borrowing, the borrower must have a maximum debt to equity ratio: 3:1 for mining, petroleum and logging companies; 4:1 for gas companies and 5:1 for all other companies.

15.8 Reporting of Payment of Principal, Interest and Other Fees on Offshore Foreign Currency Borrowings

Notification of all payments of interest, fees, commissions or other charges directly related to the borrowing or to repay principal should be made to an Authorized Dealer with a completed Form-L2 accompanied by supporting documentation including an original Taxation Clearance Certificate where appropriate (see FE Notice 19 - Tax Surveillance). An Authorised Dealer should ensure that all the required information on Form-L2 is provided before certifying the Form.

15.9 Tax surveillance

It may be necessary for remitters wanting to transfer funds out of Papua New Guinea to make payments relating to Foreign Currency borrowings to obtain taxation clearance. This requirement will be dependent upon the country or territory to which the payments are to be made and the amounts involved (see Notice FE Notice 19 - Taxation Surveillance).

15.10 Reporting Requirements for Lending in Kina or Foreign Currency to Overseas Residents

All Residents in Papua New Guinea seeking to lend to Non-Residents overseas in Kina or Foreign Currency must comply with the following requirements:

- (i) Form-LB which has been completed, signed, dated and stamped by the borrower providing full details of the transaction to be undertaken must be submitted directly to the Bank of Papua New Guinea;
- (ii) a copy of the signed, dated and stamped contract (executed loan agreement, guarantees, etc.) must be forwarded to the Bank of Papua New Guinea; and
- (iii) Form-L1(B) which has been completed, signed, dated and stamped by the borrower and a duly authorised officer of an Authorised Dealer, must be submitted to the Bank of Papua New Guinea through an Authorised Dealer for every Kina or Foreign Currency loan draw-down.

The Bank of Papua New Guinea does not grant a prior authorisation for lending under FE Notice 15. The parties to the transaction are not required to ensure that the terms of lending (interest rate, fees and charges etc.) meet those determined by the Bank of Papua New Guinea.

An Authorized Dealer must ensure that all the required information on Form-L1(B) is provided before certifying the Form.

15.11 Reporting of Receipt of Principal, Interest, and Other Fees on Kina or Foreign Currency Lending to Non-Residents

Notification of all principal, interest, fees, commissions or other receipts directly related to lending to overseas Residents should be made to an Authorised Dealer on Form-L2(B) and accompanied by relevant supporting documentation, where appropriate.

An Authorised Dealer should ensure that all the required information on Form-L2(B) is provided before certifying the Form.

15.12 Requirement for Reporting by Residents in Papua New Guinea

A Resident in Papua New Guinea who is a party to a transaction referred to in this FE Notice 15 must report to the Bank of Papua New Guinea on as-and-when that transaction occurs, or at any other time specified by the Bank of Papua New Guinea.

15.13 Holders of Foreign Currency accounts

The holder of a Foreign Currency account must report actual cash inflows and outflows on that account on Form-OS in accordance with FE Notice 11, in respect of loan drawdown and payment of principle, interest and other fees.

16. FE Notice 16 – Inward and Outward Investments

16.1 Introduction

This FE Notice covers the administrative and reporting requirements for inward and outward investments, between Residents and Non-Residents.

16.2 Compliance Requirements for Inward and Outward Investments

All inward and outward investments must comply with the exemptions, directions and administrative and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Foreign Exchange Reporting Framework and Enhanced Due Diligence Guidelines.

16.3 Reporting of Inward Investment

A Person who is a Non-Resident acquires an asset in Papua New Guinea must:

- (i) provide information about the nature and amount of funds to be invested or brought into the country for that Person's acquisition of the asset, to the Bank of Papua New Guinea through an Authorised Dealer; and
- (ii) complete and submit to the Authorised Dealer a Form-V1 for foreign equity and other investments in Papua New Guinea.

16.4 Reporting Requirements for Outward Remittance of Foreign Currency following the Sale of an Investment or the Liquidation of a Business Entity in Papua New Guinea

A Person who remits funds out of Papua New Guinea being the proceeds of the sale of an asset must ensure that:

- (iii) supporting documentation evidencing the transaction is sighted by an Authorised Dealer;
- (iv) an original taxation clearance certificate where appropriate is submitted to and retained by the Authorised Dealer (see FE Notice 19 - Taxation Surveillance);
- (v) a signed, dated and stamped Form-V2 is forwarded by the Authorised Dealer to the Bank of Papua New Guinea;
- (vi) the remittance offshore is made in Foreign Currency only through an Authorised Dealer.

16.5 Completion and Submission of Form-V1 and Form-V2

The Forms must be completed and submitted to the Bank of Papua New Guinea on as and when a transaction occurs and at any other time specified by the Bank of Papua New Guinea.

16.6 Reporting of Outward Investment

A Resident who acquires an asset outside Papua New Guinea must:

- (i) provide information about the nature and amount of funds to be invested or remitted out of the country for acquisition of an overseas asset, to the Bank of Papua New Guinea through an Authorised Dealer;
- (ii) complete and submit to the Authorised Dealer a Form-V3 for overseas equity and other investments outside Papua New Guinea; and
- (iii) complete and submit to the Bank of Papua New Guinea a Form-V3(A) for assets of any form held outside Papua New Guinea.

The Authorised Dealer must promptly forward to the Bank of Papua New Guinea the signed, dated and stamped Form-V1 and Form-V3.

This Notice and the Central Banking Regulation do not relieve the Resident Person of the need to comply with or obtain authorities under other laws relating to foreign investment or the acquisition of property or company securities outside Papua New Guinea.

16.7 Requirements for Outward Remittance of Foreign Currency for Investment in an Overseas Asset or Inward Remittance following the Sale (or Liquidation) of an Investment in an Overseas Asset

- (a) A Resident who remits funds out of Papua New Guinea being for investment in an overseas asset must ensure that:
 - (i) supporting documentation evidencing the transaction is sighted by an Authorised Dealer, and forwarded to the Bank of Papua New Guinea;
 - (ii) an original taxation clearance certificate where appropriate is submitted to and retained by the Authorised Dealer (see FE Notice 19 - Taxation Surveillance);
 - (iii) a signed, dated and stamped Form-V3 is forwarded by the Authorised Dealer to the Bank of Papua New Guinea; and
 - (iv) the remittance offshore is made in Foreign Currency and only through an Authorised Dealer.
- (b) A Person who receives funds from outside of Papua New Guinea being funds from sale (or liquidation) of investment in an overseas asset must ensure that:
 - (i) supporting documentation evidencing the transaction is sighted by an Authorised Dealer; and
 - (ii) a signed, dated and stamped Form-V4 is forwarded by the Authorised Dealer to the Bank of Papua New Guinea; and
 - (iii) inward receipt is made only through an Authorised Dealer.

16.8 Completion and Submission of Form-V3 and Form-V4

The Forms must be completed and submitted to the Bank of Papua New Guinea on as-and-when a transaction occurs, or at any other time specified by the Bank of Papua New Guinea.

16.9 Reporting Requirements for Holders of Foreign Currency Accounts

- (a) The holder of a Foreign Currency account must report actual cash inflows and outflows on that account on Form-OS in accordance with FE Notice 11, being funds for.
 - (i) Investment in or liquidation of assets in Papua New Guinea; or
 - (ii) Investment in and liquidation of assets abroad.
- (b) The holder of a Foreign Currency account must also complete and submit Form-V1; Form-V2; Form-V3; and Form-V4, directly to the Bank of Papua New Guinea.

16.10 Requirement for Reporting by Persons Resident in Papua New Guinea

Resident Persons who are a party to a transaction to which this FE Notice 16 applies must report to the Bank of Papua New Guinea on as-and-when that transaction occurs or at any other time specified by the Bank of Papua New Guinea.

17. FE Notice 17 – Gold

17.1 Introduction

This Notice summarizes the main requirements, which are applicable to dealings in gold, between Residents and Non-Residents. This Notice is not subject to the exemptions set out in FE Notice 22.

17.2 General Compliance Requirements for Dealings in Gold

All dealings in gold must comply with the directives and administrative and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Foreign Exchange Reporting Framework and Enhanced Due Diligence Guidelines.

17.3 Domestic Transactions in Gold

The purchase or sale of gold by a Resident Person to another in Papua New Guinea is permitted without restriction.

17.4 Authorisation to Import and Export Gold from Papua New Guinea

- (a) A Person who wants to export or import gold with value in excess of K5,000.00 must obtain from the Bank of Papua New Guinea:
 - (i) A gold export or import licence;
 - (ii) A specific authorisation to export or import gold during the term of the licence;
 - (iii) Export or import of gold must be in accordance with the conditions of the licence; and
 - (iv) Export or import of gold must be on consignment.
- (b) A Person who wants to export or import gold with value of K5,000.00 or less, must obtain:
 - (i) An assay report from a recognised gold assayer; and
 - (ii) A clearance from the Bank of Papua New Guinea.

17.5 Requirement for Inward Receipt from Exportation of Gold

A Person who receives funds from abroad must ensure that the receipt is made only through an Authorised Dealer.

17.6 Requirement for Outward Remittance of Foreign Currency for Importation of Gold

A Person who remits funds out of Papua New Guinea must ensure that it is made in Foreign Currency and only through an Authorised Dealer.

17.7 Reporting Requirements for Export and Import of Gold

- (a) A Person who receives from funds abroad must produce to an Authorised Dealer:
 - (i) A copy of the gold export licence issued by the Bank of Papua New Guinea; or
 - (ii) A Form G approved by the Bank of Papua New Guinea; and
 - (iii) a Form-X is submitted (See FE Notice 6), together with other reports specified as conditions of its gold export license.
- (b) A Person who remits funds abroad must produce to an Authorised Dealer:
 - (i) A copy of the gold import licence issued by the Bank of Papua New Guinea; or
 - (ii) A Form G (or equivalent) approved by the Bank of Papua New Guinea; and
 - (iii) a Form-M is submitted (See FE Notice 5), together with other reports specified as conditions of its gold import license.

17.8 Holders of Foreign Currency Accounts

The Resident holder of a Foreign Currency account must report actual cash inflows and outflows on that account on Form-OS in accordance with FE Notice 11, in respect of gold and related transactions.

19. FE Notice 19 – Taxation Surveillance

19.1 Introduction

This FE Notice sets out the legal basis for taxation surveillance and lists those transactions which require taxation clearance from the Internal Revenue Commission.

19.2 Legal basis for Taxation Surveillance

- (a) Section 81 of the Central Banking Act 2000 and Division 2 of Part IX of the Income Tax Act 1959 form the legal basis for taxation surveillance in Papua New Guinea.
- (b) A Notice of Acts Requiring Tax Clearance published from time to time lists the transactions requiring taxation clearance, as well as a list of countries to which specific tax requirements apply are set out.

19.3 General

- (a) The effect of Section 81(1)(a) of the Central Banking Act 2000 is that an Authorised Dealer may not give authority for a transaction specified in the Gazettal Notice referred to in Paragraph 19.2 (b) above without first considering the tax clearance obligations in accordance with Section 354C of the Income Tax Act 1959.
- (b) The effect of Section 81(1)(b) of the Central Banking Act 2000 and the Exemption Notice is that an Authorised Dealer may refuse to grant approval for a remittance abroad unless an original tax clearance certificate is produced.

19.4 List of Transactions to which Taxation Surveillance is Applicable

The following transactions have been stipulated in the National Gazette as requiring taxation clearance.

- (i) The transfer of funds which have the nature of capital in the hands of a Resident Person in Papua New Guinea from whom they are being transferred and which is not otherwise covered in this Section 19.4.
- (ii) The transfer of funds as a result of the borrowing or lending of money or the assignment of a debt.
- (iii) The transfer of funds as a result of the sale, purchase (including the option to purchase), acquisition or disposition of securities, land or other property, including the transfer of shares of a Papua New Guinea register.
- (iv) The transfer of funds being a royalty (as defined in Section 4 of the Income Tax Act), licence fee, management fee, charter fee or similar payment.
- (v) The transfer of funds into a trust fund created or established in a place outside Papua New Guinea.
- (vi) The transfer of funds arising from the declaration of any dividend to a Person (or group of Persons) who is in, or is a Resident of, a place outside Papua New Guinea.

- (vii) The transfer of funds under a court order to a Person who is in, or is a Resident of, a place outside Papua New Guinea.
- (viii) The transfer of funds in respect of interest on borrowings to a Person who is in, or is a Resident of, a place outside Papua New Guinea.
- (ix) The transfer of funds which are not trade related, involving the physical movement of goods.

19.5 Countries or Economies to which Taxation Surveillance is Applicable

- (a) An original taxation clearance certificate is required prior to the transfer of funds of any amount and for any purpose (including for merchandise good associated payments) to the countries or territories listed below, in respect of transactions, which are listed in 19.4.

*Bahamas, Bermuda, British Channel Islands, British Virgin Islands, Gibraltar, Grenada, Hong Kong, The Isle of Man, Liberia, Liechtenstein, Luxembourg, Nauru, Netherlands Antilles, Norfolk Island, Panama, Solomon Island, Switzerland, Tonga, Vanuatu*¹.

- (b) An original taxation clearance certificate is required prior to the transfer of funds in excess of a prescribed amount or the Foreign Currency equivalent thereof, to all other countries or territories not mentioned in paragraph (a) in respect of transactions, which are listed in 19.4.
- (c) Payments for merchandise goods and associated payments to countries or territories other than those listed under (a) do not require a taxation clearance certificate.

19.6 Requirements for Payment into Non-Resident Accounts held in Papua New Guinea

Any payment emanating from Papua New Guinea to the credit of a Non-Resident account maintained with an Authorised Dealer has the same effect as a remittance abroad from Papua New Guinea. Accordingly, such a payment may require taxation clearance, as set out in 19.4 and 19.5.

A Resident Person must ensure that an original tax clearance certificate is obtained for a deposit of Kina into:

- (a) a Vostro Account; and
- (b) an account of diplomatic and consular representative offices of foreign countries, as defined under FE Notice 3; and
- (c) an account of United Nations, and its related missions and representative offices, as defined under FE Notice 3.

19.7 Procedures Applicable to Authorised Dealers in respect of Taxation Clearance

Where applicable, Authorised Dealers must first receive an original taxation clearance certificate in respect of the transactions listed in 19.4 and any other required supporting documents before a transfer of funds abroad is made. The taxation clearance certificate should be cancelled as appropriate by the Authorised Dealer.

¹ The public is advised to consult the latest National Gazette on the list of tax havens to which this FE Notice applies.

19.8 How and Where to obtain Taxation Clearance Certificates

Where a Notification to transfer funds requires taxation clearance, a Person must produce an original taxation clearance certificate in accordance with Section 354C of the Income Tax Act 1959. The applicant should apply to the Internal Revenue Commission, P.O. Box 777, Port Moresby, Papua New Guinea for clearance giving full details of the nature of the transactions together with any relevant supportive documentation, which may be required by the Internal Revenue Commission.

NOTE: An original taxation clearance certificate may be issued for a specific transaction or a blanket original taxation clearance certificate may be issued in respect of a type or series of transactions.

20. FE Notice 20 – Other Inward Receipts and Outward Remittances by Persons Resident in Papua New Guinea

20.1 Introduction

This Notice summarizes the main requirements, which are applicable to any other inward receipt or outward remittances abroad that are not covered in the previous Notices. The Notice applies to transactions between Residents and Non-Residents.

20.2 General

Authority under the Central Banking Regulation is no longer required for Residents of Papua New Guinea to transfer funds overseas for certain purposes.

20.3 Compliance Requirements for Inward Receipts and Outward Payments

All inward receipts or outward payments must comply with the exemptions, directives and reporting requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Foreign Exchange Reporting Framework and Enhanced Due Diligence Guidelines.

20.4 Conditions and Procedures Applicable to Authorised Dealers for Inward Receipts and Payments Abroad

- (a) All inward receipts must be made through an Authorised Dealer and reported to the Authorised Dealer on Form-R2 or Form-R2(Aggregate). The Authorized Dealer must forward the Form to the Bank of Papua New Guinea on a daily basis.
- (b) All outward payments or remissions must be made in Foreign Currency through an Authorised Dealer and reported to the Authorised Dealer on Form-R1 or Form-R1(Aggregate). The Authorized Dealer must forward the Form to the Bank of Papua New Guinea on a daily basis.
- (c) A dividend payment must be made in foreign currency must be made through an Authorised Dealer and reported to the Authorised Dealer on Form-R1(D)

20.5 Tax surveillance

It may be necessary for Notifications to purchase securities, land or other property outside Papua New Guinea to be accompanied by an original taxation clearance certificate. This requirement will be dependent upon the country or territory to which the payments are to be made and the amounts involved (see FE Notice 19 - Taxation Surveillance).

20.6 Holders of Foreign Currency Accounts

The holder of a Foreign Currency account must report actual cash inflows and outflows on that account on Form-OS in accordance with FE Notice 11.

21. FE Notice 21 - Reporting and Administrative Requirements

21.1 Introduction

This FE Notice reiterates the requirement for compliance and records administration and the need to report to the Bank of Papua New Guinea by Residents and Non-Residents. It must be read in conjunction with the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

21.2 Requirements for Compliance, Records Administration and Reporting to Bank of Papua New Guinea

Subject to the exemptions and directions set out in FE Notice 22 and FE Notice 23, all Papua New Guinea Resident or Non-Resident Persons must:

- (i) comply with any and all reporting and administrative requirements of the Bank of Papua New Guinea, including completion of any Compliance Audit (as defined in the Exemption Notice and in FE Notice 22) in respect of any Person or party that is requested by the Bank of Papua New Guinea;
- (ii) maintain records and documents relating to transactions that would, but for the Exemption, have required authority for the duration of the transaction or 7 years whichever is shorter; and
- (iii) provide to the Bank of Papua New Guinea any information and documentation with respect to any matter, act, transaction or thing in a form and within any time period specified by the Bank of Papua New Guinea, including as specified in an FE Notice.

22. FE Notice 22 – Exemption from Certain Provisions of the Central Banking Regulation

22.1 Introduction

Pursuant to the Exemption Notice all Persons, other than the Persons listed in paragraph 22.2, are exempted from obtaining an authority under or complying with the following regulations of the Central Banking Regulation, as set out in Schedule 3 to the Exemption Notice:

- (a) Regulation 7: Transfer or removal of currency out of Papua New Guinea
- (b) Regulation 9: Control of certain payments and transactions
- (c) Regulation 10: Borrowings from outside Residents
- (d) Regulation 11: Blocked accounts
- (e) Regulation 12: Specified currency
- (f) Regulation 13: Issue or dispatch of securities
- (g) Regulation 14: Foreign securities
- (h) Regulation 15: Returns of foreign securities
- (i) Regulation 18: General restrictions on export
- (j) Regulation 19: Additional documentation and information
- (k) Regulation 21: Fulfilment of arrangements
- (l) Regulation 22: Currency or property retained or obtained in contravention of Part II

With the exception of the above regulations, all other provisions of the Central Banking Regulation remain in full force and effect.

22.2 Persons not exempted from obtaining authority under the Regulation

The following persons are not exempt from obtaining approval under the Central Banking Regulation:

- (i) a Person, being a Resident, who after the Effective Date without the authority of the Bank of Papua New Guinea, opens and operates a Foreign Currency account outside Papua New Guinea; and
- (ii) a Person being a Resident, who after the Effective Date, without the authority of the Bank of Papua New Guinea, enters into a guarantee or grants a security over assets in Papua New Guinea in favour of a Non-Resident (or enters into a transaction having a similar effect) where such guarantee or security is part of a transaction which is not for the direct benefit of a Person or a business in Papua New Guinea.

22.3 Compliance

A failure to comply with any of the following Conditions by any Person will result in:

- (i) the exemptions granted under the Exemption Notice not applying with respect to that Person in relation to the relevant transaction; and

- (ii) a breach of the Central Banking Regulation,

and will result in imposition of penalties in accordance with the Central Banking Regulation.

22.4 Conditions

The exemptions are granted subject to the following Conditions, which are set out in detail in Schedule 4 to the Exemption Notice:

- (a) At any time and for any purpose, the Bank of Papua New Guinea may:
 - (i) request any information and documentation further to that requested or provided to the Bank of Papua New Guinea; and
 - (ii) conduct an audit to ensure compliance with the Conditions.
- (b) All information and documentation requested by the Bank of Papua New Guinea must be in the prescribed form and within the time requested by the Bank of Papua New Guinea. Such information may include but is not limited to:
 - (i) the names of parties to a transaction;
 - (ii) full details of all valuable consideration paid or payable in respect of a transaction;
 - (iii) a description of the property involved in a transaction;
 - (iv) the location of the property involved in a transaction, including full details of any bank accounts or other instruments into which proceeds (including valuable consideration) have been invested or converted;
 - (v) the purpose of the transaction; and
 - (vi) information relating to any variation, reconstruction or amendment to a transaction.
- (c) A Person must, in relation to any act or thing to which, but for this Exemption Notice, the Regulation would apply, maintain all documents which evidence or support that act or thing for the duration of the relevant transaction or 7 years whichever is shorter.
- (d) A Person must comply with the obligations set out in the Foreign Exchange Manual issued by the Bank of Papua New Guinea.
- (e) If a Person would, but for the Exemption Notice, be required to produce an original taxation clearance certificate in order to obtain approval from the Bank of Papua New Guinea to enter into any transaction then despite the Exemption Notice that Person must produce an original taxation clearance certificate to an Authorised Dealer in respect of that transaction prior to entering into or undertaking that transaction.
- (f) Only Authorised Dealers may conduct currency exchange transactions. Residents require authority under Regulation 6 to enter into or perform an agreement in writing with a Resident in a currency other than Kina.
- (g) A Person must not without the authority of the Bank of Papua New Guinea transfer or remove out of Papua New Guinea, Papua New Guinea Currency in physical notes and coins in excess of K20,000.00 (or its Foreign Currency equivalent).

23. FE Notice 23 – Foreign Exchange Control Directives to Authorised Dealers

23.1 Introduction

The following directives are issued to Authorised Dealers by the Bank of Papua New Guinea, effective from Thursday, 5th March 2015.

23.2 Use of Kina Denominated (Vostro) Accounts of Foreign Banks

Only licensed banks in Papua New Guinea 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 Papua New Guinea 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 Dealers. ***Direct Kina deposits by Papua New Guinea Residents into Vostro Accounts of foreign banks are not permitted.***

(a) 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 Dealer. The conversion of Foreign Currency deposits into Kina by Residents via those Vostro Accounts has to be done through an Authorised Dealer.

(b) All Outward Remittances

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

23.3 Onshore Foreign Currency Accounts

As of Thursday 5th March 2015, Authorised Dealers have been directed to cease opening any new Foreign Currency accounts for Residents of Papua New Guinea.

23.4 Offshore Foreign Currency Accounts

(a) Types of offshore Foreign Currency accounts approved by Bank of Papua New Guinea

There are two categories of offshore Foreign Currency accounts approved by the Bank of Papua New Guinea. The first are those approved by Bank of Papua New Guinea and established under Project Development Agreements. The second are those approved by Bank of Papua New Guinea without Project Development Agreements. ***These accounts are to be used by the holders for the sole purpose of paying their offshore liabilities.***

(b) Three months repatriation requirement for offshore accounts

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 the Bank of Papua New Guinea. The balances in these accounts can be used only for payment of their foreign liabilities, and any surplus repatriated to Papua New

Guinea and deposited into their domestic Foreign Currency accounts. Alternatively, this Foreign Currency can be converted to Kina, through the Authorised Dealers.

23.5 Breaches of these Directives

Any breaches of these directives will be dealt with in accordance with the *Central Banking Regulation*.