



BANK OF PAPUA NEW GUINEA

***SUMMARY FOREIGN EXCHANGE
GUIDELINES***

**FOR AUTHORISED DEALER AND
PUBLIC USE**

ISSUED: JUNE 2005

SUMMARY FOREIGN EXCHANGE GUIDELINES

1. GENERAL

The following provide additional summary guidelines for Authorised Dealers and the public to follow, when dealing with foreign exchange matters, as of 1 June 2005. They must be read in conjunction with the National Gazettes dated 31 May and 1 June 2005 and the Foreign Exchange Manual (the *Manual*) and Foreign Exchange Reporting Framework (the *Framework*) dated June 2005. The public and Authorised Dealers should obtain further clarification from the Exchange Control Department (ECD) of the Bank of Papua New Guinea (BPNG), if in doubt.

2. CURRENT ACCOUNT TRANSACTIONS

2.1 Current Account Flows

The following transactions can be undertaken without exchange control authority, through an Authorised Dealer or through a foreign currency account held within or outside Papua New Guinea (PNG). A foreign currency account is an account denominated in a currency other than Kina. The same applies to Kina accounts held outside PNG.

Schedule 1		
Exports & Export Related Receipts	Operating Lease	Gifts & Grants
Imports and Import Related Payments	Consultancy Fee	Compensation of Employees
Transportation (Sea, Air & Land)	Management Fee	Interest Payment (Excl. Loan)
Travel (Excl. Transportation)	Licensing Fees	Taxes
Education	Cultural & Rec. Services	Transfers (Immigrant & Offshore Account)
Insurance (Life & Others)	Government Services (n.i.e.)	Interest, Other Fees & Charges
Other Financial Services	Superannuation Fund	Dividends & Branch Profits
Computer & Information Services	Construction Services	Other Service Payments (Specify)
Communication Services	Family Maintenance	

Flows arising from intangible capital, for example, trademarks, brands, franchise, intellectual property, and so on, are also exempted from exchange control authority.

An Authorised Dealer must ensure that supporting documents are provided, where required, for foreign exchange transactions.

2.2 Current Account Contracts

Any contract in writing to effect any of the current account transactions covered in part 2.1 above does not require prior exchange control authority of BPNG, except those caught by part 3.1 below.

2.3 Government Current Account Contracts and Transactions

Current account transactions listed in part 2.1 and their written contracts of all levels of government are exempted from exchange control authority.

2.4 Transfer of Kina from PNG to a Resident Foreign Currency Account held with an Authorised Dealer

The transfer of funds from within PNG to a foreign currency account held with an Authorised Dealer does not require the production of an original taxation clearance certificate (TCC). The completion of a BOP Form is also not required for the transfer.

2.5 Transfer of Kina from PNG to a Resident Account Outside PNG

The transfer of funds to a resident Kina or foreign currency account outside PNG requires the production of an original TCC and a copy of exchange control authority given by BPNG to open and operate a Kina or foreign currency account.

The Authorised Dealer must request from the resident transactor a copy of exchange control authority for the account to which the funds are being transferred. The client must be referred to BPNG if a copy of the exchange control authority or relevant documentary evidence is not produced.

2.6 Transfer of Funds from a Foreign Currency Account held with an Authorised Dealer to a Resident Account held Outside PNG

The original TCC and a copy of exchange control authority letter must be produced (where required) for an Authorised Dealer to effect the transfer.

An Authorised Dealer must request from the resident transactor a copy of exchange control authority for the account to which the funds are being transferred. The client must be referred to BPNG if a copy of the exchange control authority or relevant documentary evidence is not produced.

2.7 Transfer of Funds from a Resident Account held Outside PNG to an Account held with an Authorised Dealer

An Authorised Dealer must request from the resident a copy of exchange control authority for the account from which the funds are being remitted to PNG. The client must be referred to BPNG if a copy of the exchange control authority or relevant documentary evidence is not produced.

2.8 Transfer of Funds from a Resident account held Outside PNG to another account outside PNG

The resident account-holder must seek further guidance and clarification from IRC on taxation clearance.

2.9 Transfer of Funds to or from a Non-Resident Account held with an Authorised Dealer

The transfer of funds to a non-resident account held with an Authorised Dealer requires the production of an original TCC to the Authorised Dealer. The transfer is deemed a remittance to a non-resident account held outside PNG (see part 12.6 below).

3. CAPITAL ACCOUNT TRANSACTIONS BETWEEN RESIDENTS AND NON-RESIDENTS

3.1 Approval for a Written Contract

Exchange control authority from BPNG must be obtained for any **written contract** entered into in any currency to acquire or deal with any (real, financial or other) asset within or outside PNG. This means exchange control approval is required for loan agreements (including supplier financed loans); equity contracts; guarantee contracts of capital transactions; agreements to acquire or deal with listed and unlisted securities, etc., including the use of derivative instruments to acquire the same. A variation to the terms of a written contract requires exchange control authority from BPNG. Parts 3.4 and 3.5 below must be read within the context of this part.

Copies of the signed and executed documents of this part and parts 3.4 and 3.5 below must be lodged at ECD of BPNG, after the exchange control authority is obtained on the draft(s).

3.2 Capital Account Flows

All flows arising from approved written contracts are exempted from further exchange control authorities. Flows such as principal receipts or repayments, equity capital receipt or redemption, and the like, can be transacted without further exchange control authority from BPNG. Supporting documents, where required, must be provided for transactions done through an Authorised Dealer.

A transaction arising from an unapproved written contract must be referred to BPNG (by an Authorised Dealer).

An Authorised Dealer must ensure that a copy of exchange control authority letter and/or the relevant signed, stamped and dated exchange control authority form (BOP Form) is provided, where required, for foreign exchange transactions.

3.3 Government Capital Account Transactions

Capital account transactions and their written contracts of all levels of government are exempted from exchange control authority. This means that all borrowing and lending (or similar transactions) by all levels of government do not require exchange control authorities.

This exemption does not apply to government controlled independent entities operating as commercial concerns and/or incorporated under the requirements of the Companies Act (1997) or any other law (or regulation) in operation in PNG.

3.4 *Listed Securities*

Exchange control authority must be obtained from BPNG where (1) a resident broker in PNG enters into a written agreement with a resident investor and (2) a resident enters into a written agreement with a non-resident, to acquire or deal with a listed security within or outside PNG. This also covers the use of derivative and other similar instruments to acquire or deal with a financial asset.

An Authorised Dealer must check and confirm with the resident broker if there is an underlying written agreement for the settlement, before the settlement is effected.

Execution and settlement of trades in listed securities do not require exchange control authority.

The transfer of such securities overseas from PNG (or the PNG register) or vice-versa does not require exchange control authority.

3.5 *Unlisted Securities*

Exchange control authority must be obtained from BPNG for any written agreement entered into to acquire or deal with any type of unlisted security (or financial asset) within or outside PNG. This also covers the use of derivative and other similar instruments to acquire or deal with a financial asset.

The transfer of such securities overseas from PNG or vice-versa does not require exchange control authority.

4. TAKING PHYSICAL CASH OUT OF PAPUA NEW GUINEA

Prior exchange control authority must be obtained from BPNG to take physical cash in notes and coins out of PNG in excess of K20,000.00 (or foreign currency equivalent). An application must be made to BPNG with supporting documents, including an original TCC (where required), and a relevant summary invoice (where required). After obtaining the exchange control authority, the applicant should take the approved Form-C1 (BOP-C1) to an Authorised Dealer and purchase the physical cash.

The purchase of K20,000.00 or less in physical cash does not require production of any supporting documents required on Form-C1 (BOP-C1). Supporting documents be produced for a purchase in excess of K20,000.00.

5. ISSUING GUARANTEES IN FAVOUR OF NON-RESIDENTS

5.1 *The Guarantee Contract*

BPNG must be notified at the time individuals and entities resident in PNG issue guarantees for any purpose in favour of (or on behalf of) non-residents.

Exchange control authority must be obtained from BPNG for a written guarantee (the *Guarantee Contract*) to acquire or deal with an asset within or outside PNG or to undertake any other transaction in favour of (or on behalf of) non-residents. A Guarantee

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Contract (including related documents) must be submitted to BPNG together with a completed Form G1 (BOP-G1) for approval.

A variation to a written Guarantee Contract requires exchange control authority from BPNG.

Copies of the signed and executed documents must be lodged at ECD of BPNG, after the exchange control authority is obtained on the draft(s).

5.2 *Exercise and Settlement of a Guarantee*

BPNG must be notified and the guarantee verified before the settlement of an approved guarantee is made through an account held within or outside PNG.

At the time the guarantee is exercised, an Authorised Dealer must verify the existence of the guarantee with BPNG, before the (foreign exchange) settlement is effected.

6. OPERATION OF ACCOUNTS OUTSIDE PAPUA NEW GUINEA

6.1 *Account Approval*

Resident individuals or entities in PNG must obtain prior exchange control authority to open and operate either a Kina or foreign currency account outside PNG.

6.2 *Requirements of Account Approval*

The following requirements must be satisfied before exchange control authority for an account overseas is given by BPNG:

Schedule 2	
Foreign Currency Account	Kina Account
1. Must have regular and significant foreign currency income from export of physical goods.	1. Must have significant and regular flow of Kina income from operations in Papua New Guinea.
2. Must have significant contractual obligations in foreign currency (such as lease and loan commitments) to overseas residents	2. Must have significant contractual obligations in Kina (such as lease and loan commitments) to overseas residents
3. The magnitude of the flows raise exchange rate volatility concerns for BPNG.	3. A written confirmation from the overseas currency dealer – the entity with whom the account is or will be held - that it will buy and sell Kina.
4. The applicant must submit a detailed monthly cash flow forecast for the ensuing 24 months, from whichever calendar month the application is made.	4. The applicant must submit a detailed monthly cash flow forecast for the ensuing 24 months, from whichever calendar month the application is made.

7. ONSHORE FOREIGN CURRENCY ACCOUNTS

Resident individuals and entities and non-residents are free to open and operate foreign currency accounts with Authorised Dealers. An Authorised Dealer ***may*** use the offshore foreign currency account approval requirements on Schedule 2 above, together with its operational and prudential requirements, when dealing with foreign currency account applications of its customers.

8. DOMESTIC FOREIGN CURRENCY CONTRACTS AND SETTLEMENT

Exchange control authority must be obtained from BPNG for a written contract in foreign currency between resident individuals and/or entities in PNG. The settlement of the contract must be made in Kina, regardless of whether the resident parties operate foreign currency accounts within or outside PNG.

9. TAXATION CLEARANCE LIMIT

An original TCC is required for (1) a remittance in excess of K200,000.00 to a non-tax-haven outside PNG, or (2) a remittance of any amount to a tax-haven outside PNG.

10. CURRENCY CLAUSE OF PROJECT AGREEMENTS

The guidelines explained above and reporting requirements set out below apply to the existing and future currency clauses of project agreements, between the Independent State of PNG (the State) and project developers (or investors).

11. CARD AND SIMILAR TRANSACTIONS

An Authorised Dealer must report in its name the receipt or settlement of all transactions between residents and non-residents as "Travel" (see part 12.1 below).

12. REPORTING

12.1 *Balance of Payment Forms (BOP Forms)*

Form-LA (BOP-LA), Form-LB (BOP-LB), Form-C1 (BOP-C1), Form-G1 (BOP-G1), Form-LC (BOP-LC) and Form-VE (BOP-VE) must be submitted direct to BPNG. Other BOP Forms must be submitted to BPNG, through the Authorised Dealers.

A Form-V1, Form-V2, Form-V3 or Form-V4 must be completed and submitted to BPNG by an entity operating (1) a foreign currency account or (2) a Kina account outside PNG, for transactions of capital nature specified on the Form. The Form must be submitted to BPNG through an Authorised Dealer, at the end of each calendar month. Further guidance must be sought from BPNG, where appropriate.

12.2 *Aggregate Forms and Non-Reporting Limits for Current Account Receipts and Payments through Authorised Dealers*

Authorised Dealers must ensure that a remittance amount between K5,000.00 and K10,000.00 is reported on an "Aggregate" BOP Form. A remittance amount below K5,000.00 should not be reported to BPNG on an Aggregate BOP Form.

Form "Aggregate-M" would be completed for imports, Form "Aggregate-R2" would be completed for other (service) receipts and Form "Aggregate-R1" would be completed for other (service) payments.

Aggregate Forms must not be used for transactions of capital nature, covered under Section 3 above.

12.3 *Card and Similar Transactions*

All card and similar transactions must be aggregated and a single monetary amount reported as "Travel" on Form-R1 (BOP-R1) or Form-R2 (BOP-R2), where applicable.

12.4 *Sale of Physical Currency to Customers of Authorised Dealers*

An Authorised Dealer must ensure that the sale of physical currency in excess of K5,000.00 (or foreign currency equivalent) is reported to BPNG on Form-C1 (BOP-C1). A sale of physical currency of K5,000.00 or less should not be reported to BPNG.

12.5 *Resident Foreign Currency Accounts held with Authorised Dealers*

Except as explained under Section 2 above:

- (1) all resident entities in PNG must submit, after the end of each calendar month, a Form FE-OS on actual receipts and payments direct to BPNG; together with a Form-V1 (BOP-V1, Form-V2 (BOP-V2), Form-V3 (BOP-V3) or Form-V4 (BOP-V4, for transactions of capital nature (see part 12.1 above);
- (2) an Authorised Dealer must submit, after the end of each calendar month, a return on actual cash balances for each resident individual or entity to BPNG;
- (3) an individual account-holder must complete and submit a Form FE-OS(I) for each transaction on value date to an Authorised Dealer for forwarding to BPNG;
- (4) an individual account-holder must complete a relevant BOP Form on value date for a transaction of capital nature and lodge it with an Authorised Dealer, together with a completed Form FE-OS(I), for forwarding to BPNG; and
- (5) an individual account-holder must provide copies of exchange control authorities to an Authorised Dealer together with the BOP Forms required by (3) and (4) above, where a transaction is of capital nature.

12.6 *Non-Resident Kina and Foreign Currency Accounts held with Authorised Dealers*

An Authorised Dealer must:

- (1) submit after the end of each calendar month, a return on the actual cash balances for each non-resident Kina and foreign currency account to BPNG; and
- (2) establish the details of the transaction with the account-holder (or the resident), and complete and submit a relevant BOP Form to BPNG, for funds paid into an account by residents or funds paid to residents from an account (see part 2.9 above).

12.7 *Accounts held Outside Papua New Guinea*

All entities resident in PNG must submit a calendar month actual return on Kina or foreign currency receipts and payments direct to BPNG, on Form FE-OS (see also part 12.1 above).

12.8 *Partnerships and Unincorporated Entities*

Partners and such other persons must report in their own name, unless a foreign exchange transaction is for the entity in which they are employed or are associated with.