



BANK OF PAPUA NEW GUINEA

FOREIGN EXCHANGE MANUAL
FOR AUTHORISED DEALER AND PUBLIC USE

ISSUED: SEPTEMBER 2007

**CENTRAL BANKING ACT 2000
CENTRAL BANKING (FOREIGN EXCHANGE AND GOLD) REGULATION
NOTICES SEPTEMBER 2007**

FOREIGN EXCHANGE MANUAL

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INTRODUCTION TO THE FOREIGN EXCHANGE NOTICES

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

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 contained in this Manual 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 3rd SEPTEMBER 2007 REPLACE ALL PREVIOUS FOREIGN EXCHANGE CONTROL NOTICES (PREVIOUSLY CALLED “NOTICES TO AUTHORISED DEALERS”) ISSUED BY THE BANK OF PAPUA NEW GUINEA IN JUNE 2005.

DEFINITIONS OF TERMS USED IN THE FOREIGN EXCHANGE NOTICES

“Authorized Dealer” – means each of the entities appointed to be an Authorized Dealer 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 and the Exemption Notice, the Central Banking Regulation will prevail.

1. FE Notice 1 – Authorised Dealers

1.1 Introduction

This FE Notice lists the commercial banks and other institutions authorised by the Bank of Papua New Guinea under the Central Banking Regulation to act as Authorized Dealers and defines their functions. This Notice is issued by the Bank of Papua New Guinea solely for use by Authorized Dealers in Papua New Guinea. 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

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

- (i) Australia and New Zealand Banking Group (PNG) Limited;
- (ii) Bank of South Pacific Limited;
- (iii) Westpac Bank-PNG-Limited;
- (iv) Maybank (PNG) Limited; and
- (v) 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;
- (ii) authorise the purchase and sale of such currencies; and
- (iii) authorise the transfer of Kina to the accounts of Persons or business entities who are residents outside Papua New Guinea.

(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 K500,000.00 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.

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

BOP Forms can be obtained from an Authorized Dealer (see FE Notice 2).

1.6 Processing BOP Forms

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.

1.7 Customer Identification

Authorized Dealers must maintain an internal system of customer identification when dealing with Resident and Non-resident customers.

1.8 Notification to Resident and Non-Resident Customers

In addition to the completion and submission of relevant BOP Forms, Authorized Dealers must inform their Resident and Non-resident customers who undertakes 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 Payment 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.

2.2 Types of BOP Forms, requirements and validity

FORM FEC-X or Form-X (BOP-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
(FE Notice 6)	To record export proceeds, including freight, insurance and other export related receipts for BOP reporting.	i. For any receipt or series of receipts in relation to exports 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.

FORM-M (BOP-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
(FE Notice 5)	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 any payment or series of payments for imports 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.

FORM AGRREGATE-M (BOP 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
(FE Notice 5)	<p>To record payments for imports into Papua New Guinea for BOP reporting.</p> <p>Used for Notification of import payments for amounts between K5,000.00 and K10,000.00 (or Foreign Currency equivalent).</p>	<p>i. For any payment or series of payments for imports 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>
FORM-R2 (BOP-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, for amounts in excess of K10,000.00 (or Foreign Currency equivalent).</p>	<p>For receipts of Kina or Foreign Currency in any amount for 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>
FORM AGGREGATE-R2 (BOP 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>Used for Notification of receipts in between K5,000.00 and K10,000.00 (or of Foreign Currency equivalent).</p>	<p>For receipts of Kina or Foreign Currency in any amount for 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>

FORM-R1 (BOP-R1) – Notification of Outward Remittance of Kina or Foreign Currency by Business Entities and Individuals Resident in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 20)</i>	For collection of information on other types of remittances overseas not covered elsewhere for BOP reporting, for amounts in excess of K10,000.00 (or Foreign Currency equivalent).	<ul style="list-style-type: none"> i. Whenever a Resident remits overseas Kina or the Foreign Currency equivalent. ii. For payments of Kina or Foreign Currency in any amount for 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>The Form must be completed and submitted by the Resident to the Bank of Papua New Guinea through an Authorized Dealer.</p>

FORM AGREGATE-R1 (BOP AGGREGATE-R1) – Notification of Outward Remittance of Kina or Foreign Currency by Business Entities and Individuals Resident in Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
<i>(FE Notice 20)</i>	<p>For collection of information on other types of remittances overseas not covered elsewhere for BOP reporting.</p> <p>Used for Notification of payments for amounts between K5,000.00 and K10,000.00 (or Foreign Currency equivalent).</p>	<ul style="list-style-type: none"> i. Whenever a Resident remits overseas Kina or the Foreign Currency equivalent. ii. For payments of Kina or Foreign Currency in any amount for 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>The Form must be completed and submitted to the Bank of Papua New Guinea by an Authorized Dealer.</p>

FORM-R1(D) (BOP-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 dividend for BOP reporting and to maintain a registry of outflows of income associated with private foreign investment in Papua New Guinea.	Whenever a dividend or a branch profit is remitted overseas through 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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FORM-C1 (BOP-C1) - Application for Taking Physical Cash in Kina or Foreign Currency out of Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 8)	To monitor physical cash in notes and coins taken out of Papua New Guinea and for BOP reporting.	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 in excess of K20,000.00 (or Foreign Currency equivalent) out of Papua New Guinea. 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.

FORM-G1 (BOP-G1) – Notification of Papua New Guinea Guarantees or Securities issued in Favour of Non-Residents Outside Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 10)	For collection of information on Papua New Guinea guarantees or securities, to monitor contingent liabilities to Non-residents outside Papua New Guinea.	(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. The Form must be completed and submitted by the Resident directly to the Bank of Papua New Guinea.

FORM-LA (BOP-LA) – Notification for Borrowing in Kina or 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 Kina or Foreign Currency borrowing or any variation, reconstruction or amendment to a transaction.</p> <p>The Form must be completed and submitted by the Resident directly to the Bank of Papua New Guinea.</p>

FORM-L1 (BOP-L1) – Notification of Foreign Currency or Kina 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 Kina or Foreign Currency loan draw-down at the time the money comes on shore 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>

FORM-L2 (BOP-L2) – Notification of Foreign Currency or Kina 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 Kina or Foreign Currency borrowings by Resident Persons in Papua New Guinea.</p>	<p>i. Whenever a Resident Person pays interest or other charges on Kina or Foreign Currency borrowing to a Non-resident through an Authorized Dealer.</p> <p>ii. Whenever a Resident Person repays principal on Kina or 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>

FORM-LC (BOP-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 Kina or Foreign Currency from offshore by entities and individuals in Papua New Guinea.</p>	<p>Whenever a Resident Person enters into an agreement for offshore Kina or 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>

FORM-LB (BOP-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 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>

FORM-L1(B) (BOP-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 each and every Kina or Foreign Currency loan draw-down payments at the time the money is remitted to a Non-resident outside Papua New Guinea, through an Authorized Dealer.</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 the Authorised Dealer.</p>

FORM-L2(B) (BOP-L2(B)) – Notification of Kina or Foreign Currency 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 Kina or Foreign Currency lending to a Non-resident outside Papua New Guinea, through an Authorised Dealer.</p> <p>ii. Whenever a Resident Person lends Kina or 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 the Authorised Dealer.</p>

FORM-V1 (BOP-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 accounts, or 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 Kina or 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 directly to the Bank of Papua New Guinea or through an Authorized Dealer.</p>

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

FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 16)	<p>Notification of historical details for verification of inward 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 Kina or 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>

FORM-V2 (BOP-V2) – Notification of Remittance of Kina or 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
(FE Notice 16)	<p>For collection of information on equity 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>The Form must be completed and submitted by the Resident party to the transaction directly to the Bank of Papua New Guinea or through an Authorized Dealer.</p>

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

FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 16)	<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>Used for Notification of the remittance of Kina or Foreign Currency for investment in overseas assets.</p>	<p>Whenever a Resident Person remits Kina or Foreign Currency for:</p> <ul style="list-style-type: none"> i. acquisition of property outside Papua New Guinea; ii. investment in company or government securities; and iii. placement of funds on deposit in money market investment.

	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.	The Form must be completed and submitted by the Resident investor directly to the Bank of Papua New Guinea or through an Authorized Dealer.
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FORM-V3(A) (BOP-V3(A)) - Notification of Overseas Assets held by Residents of Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 16)	For collection of 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.	Whenever a Resident of Papua New Guinea has acquired and has direct and indirect control over an overseas asset of any form held outside Papua New Guinea. The Form must be completed and submitted by the Resident investor directly to the Bank of Papua New Guinea.

FORM-V4 (BOP-V4) – Notification of Sale and Liquidation of Foreign Investments by Residents of Papua New Guinea		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 16)	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. Used for Notification of transactions representing inward receipts in relation to the sale and/or liquidation of foreign investments listed on the Form. 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.	Whenever a Resident brings Kina or Foreign Currency into Papua New Guinea being receipt for: 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. The Form must be completed and submitted by a Resident investor directly to the Bank of Papua New Guinea or through an Authorized Dealer.

FORM-OS (BOP-OS) – Monthly Report on Foreign Currency Accounts Held by Papua New Guinean Resident Entities		
FE NOTICE	PURPOSE	WHEN REQUIRED
(FE Notice 11)	A calendar monthly report on actual Foreign Currency inflows and outflows of an account denominated in a currency other than Kina. The report is to be completed and submitted by a Resident entity within two (2) weeks after the end of each	Whenever an entity in Papua New Guinea including head office or branch office of an 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: i. exports or imports;

	<p>calendar month.</p>	<ul style="list-style-type: none"> 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>Prior Bank of Papua New Guinea authority is required to open an account outside Papua New Guinea.</p>
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FORM-OS(I) (BOP-OS(I)) - Summary Monthly Report of Foreign Currency Accounts Held by Resident Individuals with Authorized Dealers.		
FE NOTICE	PURPOSE	WHEN REQUIRED
<p>(FE Notice 11)</p>	<p>For Notification of actual Foreign Currency inflows and outflows of an account denominated in a currency other than Kina of a Resident individual held with an Authorized Dealer.</p> <p>The Form is to be completed on the date of transaction (value date).</p>	<p>Whenever a Resident individual operates a Foreign Currency account with an Authorized Dealer and receives or makes payments in Foreign Currency for purposes specified on the Form.</p> <p>The account-holder must complete and lodge the Form with an Authorised Dealer for forwarding to the Bank of Papua New Guinea.</p> <p>Prior Bank of Papua New Guinea authority is required to open an account outside Papua New Guinea.</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; and
- (b) any change in the designation of the customer's accounts which result from a change in the customer's residential status.

3.3 Establishment of residential status for individuals

Unless otherwise advised by the Bank of Papua New Guinea, Authorized Dealers must designate the account of an individual who has resided in Papua New Guinea for six (6) months or longer as a "Resident".

3.4 Establishment of non-resident status for individuals

A Non-resident is an individual who is not a Resident.

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.

3.5 Establishment of residential status for companies, partnerships and other business entities, etc.

- (a) The Authorised Dealer must designate as Resident of Papua New Guinea:
 - (i) those companies which are locally incorporated or which are 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 location (dwelling, place of production, or other premises) within the country from which the entity engages in economic activities and transactions.

3.6 Establishment of non-resident status for foreign companies

Authorized Dealers must designate as Non-resident of Papua New Guinea those companies, which do not actively trade or operate in Papua New Guinea even though they may be registered in Papua New Guinea as foreign companies.

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 must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

5.2 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 under letters of credit arrangements against shipping documents or under documentary collection passed directly to the Authorized Dealer, the importer must:

- (a) Provide to an Authorised Dealer;
 - (i) documentary evidence supporting the purchase and value of the goods (e.g. a commercial invoice or shipping documents), and
 - (ii) one of the original Customs Entry Form (Form 15) that has been processed by Customs; and
- (b) Complete and submit the Form-M (BOP-M) to the Bank of Papua New Guinea through an Authorised Dealer on a daily basis.

5.3 Holders of Foreign Currency accounts

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

5.4 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 goods from Papua New Guinea and to the receipt of export proceeds. This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

6.2 Background

To capture and report export proceeds of physical goods exported from Papua New Guinea.

6.3 Administrative procedures for exporters

The exporter must comply with the requirements and procedures of the Customs authorities for export of goods from Papua New Guinea and the reporting requirements of the Bank of Papua New Guinea. Authorized Dealers must ensure that exporters comply with these requirements.

6.4 Completion and Submission of Forms

The Form FEC-X or Form-X (BOP-X) must be completed by an exporter and submitted together with an original Form 15 to the Bank of Papua New Guinea through an Authorised Dealer on a daily basis.

If the funds are held offshore, the resident must complete and submit the Form-V3(A) (BOP-V3(A)) to the Bank of Papua New Guinea.

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

6.5 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

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

8.1 Introduction

This FE Notice deals with the physical import and export of notes, coins, and documents of value whether carried by a Person or sent through the post. The Notice explains what constitutes Foreign Currency and Papua New Guinea Currency and sets out instructions on how to deal with the import and export of such currencies. This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

8.2 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.

8.3 Imports of currency

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

8.4 Export of notes and coins by travellers

A Person travelling to places outside Papua New Guinea may take or send physical notes and coins expressed in the Papua New Guinea Currency up to an amount of K20,000.00 (or the Foreign Currency equivalent), subject to production of an original taxation clearance certificate if required.

Application for authority to take or send Papua New Guinea Currency in physical notes and coins in excess of K20,000.00 (or the Foreign Currency equivalent) should be made to the Bank of Papua New Guinea on Form-C1 (BOP-C1).

8.5 Additional provision for visitors

In addition to the currency exports provided for in Section 8.4 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 a Non-residents of PNG

10.1 Introduction

The FE Notice imposes reporting obligations on Persons who give guarantees or securities to, or on behalf of, Non-residents. This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

10.2 Authorisation and Reporting for the giving of security or indemnity

- (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 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 of Papua New Guinea, or to a Non-resident in respect of the obligations of any 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 (BOP-G1), and provide full details of the terms and conditions of that guarantee or security.

10.3 Notification of payments following the exercise of guarantees or Indemnity

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 (BOP-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 the ITMU, Bank of Papua New Guinea.

11. FE Notice 11 – Resident Foreign Currency Accounts and Non-resident Kina and Foreign Currency Accounts

11.1 General

In respect of all Foreign Currency accounts held by Residents of Papua New Guinea (in Papua New Guinea or overseas) and all Kina and Foreign Currency accounts held with Authorized Dealers for Non-residents of Papua New Guinea, and all accounts held off-shore by Papua New Guinea Residents (the Relevant Accounts) the following provisions apply.

- (a) Prior authority of the Bank of Papua New Guinea must be obtained by a Resident before opening a Kina or Foreign Currency account outside Papua New Guinea;
- (b) A Form-V1 (BOP-V1) must be completed and submitted to the Bank of Papua New Guinea through an Authorised Dealer at the time the account is opened;
- (c) The account-holder must provide a monthly Foreign Currency account report on Form-OS (BOP-OS) showing actual cash inflows and outflows of each account on the 15th day of the month following the end of the reporting calendar month;
- (d) Authorised Dealers must report to the Bank of Papua New Guinea all Resident Foreign Currency account balances and Non-resident Kina and Foreign Currency account balances on the 15th day of the month following the end of the reporting calendar month; and
- (e) Authorized Dealers must provide to the Bank of Papua New Guinea a daily report of transactions effected through the Foreign Currency accounts of Resident individuals on Form-OS(I) (BOP-OS(I)).

Authorized Dealers should advise their customers that payments by Residents to Non-resident accounts must be in accordance with the Foreign Exchange Notices and reporting requirements.

11.2 Designation of Foreign Currency accounts

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

11.3 Taxation Clearance Certificates

Authorized Dealers may not transfer any funds out of Papua New Guinea, in Kina or Foreign Currency to Non-residents unless there is produced to the Authorized Dealer an original current taxation clearance certificate where required by law.

11.4 Contracts between Residents denominated in Foreign Currency

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. Obligations under such agreements must be settled in Kina.

15. FE Notice 15 – Borrowing in Kina or Foreign Currency from Off-shore by Residents of Papua New Guinea; Loans by Residents to Non-residents

15.1 Introduction

This FE Notice sets out the Bank of Papua New Guinea's reporting requirements for Kina or Foreign Currency borrowings by Resident Persons in Papua New Guinea from Non-residents. It also sets out the reporting requirements for lending by a Resident of Papua New Guinea to a Non-resident outside Papua New Guinea. This Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

15.2 Reporting Requirements for Borrowing in Kina or Foreign Currency by person resident in Papua New Guinea

All Resident Persons in Papua New Guinea seeking to borrow in Kina or Foreign Currency from offshore must comply with the following requirements:

- (a) Form-LA (BOP-LA) which has been completed, signed, dated and stamped by the borrower must be submitted to the Bank of Papua New Guinea providing full details of the transaction to be undertaken;
- (b) a copy of the signed, dated and stamped documentation (executed loan agreement, guarantees, etc.) must be lodged with the Bank of Papua New Guinea; and
- (c) Form-L1 (BOP-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 Kina or Foreign Currency loan draw-down.

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

15.3 Matters for consideration by parties to the borrowing

The Bank of Papua New Guinea does not grant authority for borrowings under FE Notice 15, and the following no longer apply:

- (a) the interest rate, fees and charges must be comparable with international financial and capital markets;
- (b) 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
- (c) 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.

15.4 Reporting of Payment of Principal, Interest and Other Fees on Foreign Currency or Kina 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 (BOP-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 (BOP-L2) is provided before certifying the Form.

15.5 Tax surveillance

It may be necessary for remitters wanting to transfer funds out of Papua New Guinea to make payments relating to Kina or 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).

15.6 Reporting Requirements for Lending in Kina or Foreign Currency to Overseas residents

All Resident Persons in Papua New Guinea seeking to lend to overseas residents in Kina or Foreign Currency must comply with the following requirements:

- (a) Form-LB (BOP-LB) which has been completed, signed, dated and stamped by the borrower must be submitted to the Bank of Papua New Guinea providing full details of the transaction to be undertaken;
- (b) a copy of the signed, dated and stamped supporting documentation (executed loan agreement, guarantees, etc.) must be forwarded to the Bank of Papua New Guinea; and
- (c) Form-L1(B) (BOP-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 authority 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 previously determined by the Bank of Papua New Guinea.

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

15.7 Reporting of Receipt of Principal, Interest, and Other Fees on Kina or Foreign Currency Lending to Overseas 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 with a completed Form-L2(B) (BOP-L2(B)) accompanied by supporting documentation, where appropriate.

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

15.8 Requirement for Reporting by Persons Resident in Papua New Guinea

A Resident Person 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 as and when that transaction occurs and at any other time as required by the Bank of Papua New Guinea.

15.9 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 (BOP -OS) in accordance with FE Notice 11.

15.10 Borrowing and Lending in Foreign Currency between Residents in Papua New Guinea

Prior authority of the Bank of Papua New Guinea must be obtained for a Resident to lend funds to another Resident, where the underlying written agreement for the transaction is denominated in Foreign Currency.

The combined terms of the loan (interest rate, fees and charges etc.) must not exceed the level determined by the Bank of Papua New Guinea from time to time, for a loan with an underlying written contract.

Settlement of obligations under such contracts must be made in Kina.

16. FE Notice 16 – Inward and Outward Investments

16.1 General

This FE Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

16.2 Reporting of inward investment

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

- (a) 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
- (b) complete and submit to the Authorised Dealer a Form-V1 (BOP-V1) for foreign equity and other investments in Papua New Guinea.

16.3 Reporting of outward investment

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

- (a) provide information about the nature and amount of funds to be invested or remitted out of the country for that Person's acquisition of an overseas asset, to the Bank of Papua New Guinea through an Authorised Dealer;
- (b) complete and submit to the Authorised Dealer a Form-V3 (BOP-V3) for overseas equity and other investments outside Papua New Guinea; and
- (c) complete and submit to the Bank of Papua New Guinea a Form BOP-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 (BOP-V1) and Form-V3 (BOP-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.

16.4 Outward remittance of Kina or 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:

- (a) supporting documentation evidencing the transaction is sighted by an Authorised Dealer;
- (b) an original taxation clearance certificate where appropriate is submitted to and retained by the Authorised Dealer (see FE Notice 19 - Taxation Surveillance); and

- (c) a signed, dated and stamped Form-V2 (BOP-V2) is forwarded by the Authorised Dealer to the Bank of Papua New Guinea.

16.5 Completion and submission of Form-V1 (BOP-V1) and Form-V2 (BOP-V2)

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

16.6 Outward remittance of Kina or 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 Person 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); and
 - (iii) a signed, dated and stamped Form-V3 (BOP-V3) is forwarded by the Authorised Dealer to the Bank of Papua New Guinea.
- (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 (BOP-V4) is forwarded by the Authorised Dealer to the Bank of Papua New Guinea.

16.7 Completion and submission of Form-V3 (BOP-V3) and Form-V4 (BOP-V4)

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

16.8 Requirement for reporting by Persons resident in Papua New Guinea

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

16.9 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 (BOP-OS) in accordance with FE Notice 11.
- (b) The holder of a Foreign Currency account must also complete and submit Form-V1 (BOP-V1); Form-V2 (BOP-V2); Form-V3 (BOP-V3); and Form-V4 (BOP-V4), directly to the Bank of Papua New Guinea.

16.10 Authorisation of investment within Papua New Guinea

Prior authority of the Bank of Papua New Guinea must be obtained for a Resident to invest in another Resident, or to acquire or deal with another asset in Papua New Guinea, where the underlying written agreement for the transaction is denominated in Foreign Currency. Settlement of obligations under such agreements must be made in Kina.

17. FE Notice 17 – Gold

17.1 Introduction

This Notice summarises the main requirements, which are applicable to dealings in gold in Papua New Guinea. This Notice is not subject to the exemptions set out in FE Notice 22.

17.2 Domestic transactions in gold

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

17.3 Import and export of gold from Papua New Guinea

Certain Authorised Dealers, and other Resident Persons in Papua New Guinea have been given authority to import or export gold.

An application for authorisation as a gold importer or exporter must be submitted to the Bank of Papua New Guinea for consideration. This requirement applies to dealings in pure gold or gold in (or within) any other form, including casted and fabricated pure gold.

General authority is given for Persons to receive, send, or take with them, small amounts of pure gold provided the total value of any article does not exceed K5,000.00. Any amount of gold with value in excess of this limit requires authorization of the Bank of Papua New Guinea.

A Person receiving, carrying or sending an article of value K5,000.00 or less must produce an original assay report and confirm the monetary value when requested.

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.

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) The Notice in the National Gazette dated 01st June 2005 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 the regulations not exempted) or grant exemptions (for those regulations exempted) 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:

- (a) 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;
- (b) the transfer of funds as a result of the borrowing or lending of money or the assignment of a debt;
- (c) 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;
- (d) 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;
- (e) the transfer of funds into a trust fund created or established in a place outside Papua New Guinea;
- (f) 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;

- (g) 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;
- (h) 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; and
- (i) the transfer of funds which are not trade related involving the physical movement of goods.

19.5 Countries 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 to the countries or territories listed below, in respect of transactions, which are listed in Section 19.4 above.

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

- (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 not mentioned in paragraph (a) above in respect of transactions, which are listed in Section 19.4 above.

19.6 Non-resident accounts

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 from Papua New Guinea. Accordingly, such a payment may require taxation clearance, as set out in 19.5 and 19.6 above.

19.7 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.

19.8 Procedures applicable when obtaining taxation clearance

Where a Person is exempted under the Exemption Notice an Authorised Dealer may transfer funds in respect of the transactions listed in Section 19.4 of this Notice. Where applicable, Authorised Dealers must first receive an original taxation clearance certificate and any other required documentary evidence before a transfer of funds is made. The taxation clearance certificate should be cancelled as appropriate by the Authorised Dealer.

20. FE Notice 20 – Outward Remittance of Kina or Foreign Currency by Persons Resident in Papua New Guinea

20.1 Introduction

This FE Notice must be read in conjunction with the administrative and reporting requirements set out in FE Notice 21 and the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22.

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. Authority is required to open a Foreign Currency or Kina account overseas (see also FE Notice 11).

20.3 Conditions and procedures applicable to Authorised Dealers for notifications to remit Kina or Foreign Currency abroad

All payments or remissions must be reported to an Authorised Dealer on Form-R1 (BOP-R1). The Authorized Dealer must forward the Form to the Bank of Papua New Guinea on a daily basis.

20.4 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).

20.5 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 (BOP-OS) in accordance with FE Notice 11.

20.6 Authorisation of Transactions within Papua New Guinea

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. Obligations under such agreements must be settled in Kina.

21. FE Notice 21 - Reporting and Administrative Requirements

21.1 Introduction

This FE Notice must be read in conjunction with the exemptions from certain provisions of the Central Banking Regulation set out in FE Notice 22. Subject to the exemptions set out in FE Notice 22 all Papua New Guinea Resident or Non-resident Persons must:

- (a) 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;
- (b) 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
- (c) 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:

- (a) A Person, being a Resident, who after the Effective Date without the authority of the Bank of Papua New Guinea, opens and operates a Kina or Foreign Currency account outside Papua New Guinea.
- (b) 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:

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