



BANK OF PAPUA NEW GUINEA

SUMMARY FOREIGN EXCHANGE GUIDELINES

FOR AUTHORISED DEALER AND PUBLIC USE

ISSUED: SEPTEMBER 2007

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 3rd September 2007. They must be read in conjunction with the National Gazette dated 3rd September 2007, and the Foreign Exchange Manual (the *Manual*) and Foreign Exchange Reporting Framework (the *Reporting Framework*) dated September 2007. The public and Authorised Dealers should obtain further clarification from the International Transactions Monitoring Unit (ITMU) of the Bank of Papua New Guinea (the Central Bank), if in doubt.

2. CURRENT ACCOUNT TRANSACTIONS

Foreign exchange matters covered under this Part relate to FE Notice 5, FE Notice 6, FE Notice 11 and FE Notice 20 of the Manual.

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		
1. Exports & Export Related Receipts	10. Operating Lease	19. Gifts & Grants
2. Imports and Import Related Payments	11. Consultancy Fee	20. Compensation of Employees
3. Transportation (Sea, Air & Land)	12. Management Fee	21. Interest Payment (Excl. Loan)
4. Travel (Excl. Transportation)	13. Licensing Fees	22. Taxes
5. Education	14. Cultural & Rec. Services	23. Transfers (Immigrant & Offshore Account)
6. Insurance (Life & Others)	15. Government Services (n.i.e.)	24. Interest, Other Fees & Charges
7. Other Financial Services	16. Superannuation Fund	25. Dividends & Branch Profits
8. Computer & Information Services	17. Construction Services	26. Other Service Payments (Specify)
9. Communication Services	18. 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 currency and Kina transactions between Residents and Non-residents.

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 the Central Bank, including those covered by part 3.1 below.

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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 do not require 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 granted by the Central Bank to open and operate a Kina or a 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 the Central Bank 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 the Central Bank 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 the Central Bank 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 14.6 below).

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3. CAPITAL ACCOUNT TRANSACTIONS BETWEEN RESIDENTS AND NON-RESIDENTS

Foreign exchange matters covered under this Part relate to FE Notice 15 and FE Notice 16 of the Manual.

3.1 A Written Contract

Exchange control authority from the Central Bank is not required 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 covers 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 does not require exchange control authority from the Central Bank. 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 ITMU of the Central Bank, within one (1) calendar month from the date of signing and execution.

3.2 Capital Account Flows

All flows arising from 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 the Central Bank.

3.3 Government Capital Account Transactions

Capital account transactions and their written contracts of all levels of government do not require exchange control authority. This means that all borrowing and lending (or similar transactions) by all levels of government can be effected without exchange control authorities.

3.4 Listed Securities

Exchange control authority is not required from the Central Bank 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 derivatives and other similar instruments to acquire or deal with a financial asset.

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 is not required from the Central Bank 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.

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4. TAKING PHYSICAL CASH OUT OF PAPUA NEW GUINEA

Foreign exchange matters covered under this Part relate to FE Notice 8_of the Manual.

An application must be made to an Authorised Dealer or the Central Bank on Form-C1 (BOP-C1) to take or send physical cash in notes and coins out of PNG.

Exchange control authority is required from the Central Bank to take or send physical cash in notes and coins out of PNG, for amounts in excess of K20,000.00 (or Foreign Currency equivalent).

Supporting documents including an original TCC (where required), and a relevant summary invoice (where required) must be produced for a purchase in excess of K20,000.00 (or its foreign currency equivalent). 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).

The same requirements apply to the purchase of numismatic notes and coins from the Central Bank.

5. ISSUING GUARANTEES OR SECURITIES IN FAVOUR OF NON-RESIDENTS

Foreign exchange matters covered under this Part relate to FE Notice 10 and FE Notice 22_of the Manual.

5.1 The Guarantee or Security Contract

Exchange control authority is not required from the Central Bank for a written security or 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 variation to a written Guarantee Contract does not require exchange control authority from the Central Bank.

Exchange control authority is required by Residents to issue a security or guarantee to Non-residents for operations or transactions undertaken outside PNG for the benefit of (or on behalf of) Non-residents, which is not for a direct benefit to a person or an entity in PNG.

5.2 Exercise and Settlement of a Guarantee or Security

Foreign exchange settlement can be effected at the time the guarantee or security is called upon, provided the Central Bank is notified.

6. OPERATION OF ACCOUNTS OUTSIDE PAPUA NEW GUINEA

Foreign exchange matters covered under this Part relate to FE Notice 11 and FE Notice 22 of the Manual.

6.1 Account Approval

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

6.2 Requirements of Account Approval

The following requirements must be satisfied by an entity before exchange control authority for an account overseas is granted by the Central Bank:

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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 PNG.
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 the Central Bank.	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.

For individuals, the main criteria is that they must have regular Foreign Currency or Kina obligations to Non-residents outside PNG.

7. ONSHORE FOREIGN CURRENCY ACCOUNTS

Foreign exchange matters covered under this Part relate to FE Notice 11 of the Manual.

Resident individuals and entities and Non-residents may open and operate Foreign Currency accounts with Authorised Dealers. An Authorised Dealer **may** use the offshore Foreign Currency and Kina account authority 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

Foreign exchange matters covered under this Part relate to FE Notice 11, FE Notice 15, FE Notice 16, and FE Notice 20 of the Manual.

Exchange control authority is required from the Central Bank for a written contract in Foreign Currency between Resident individuals and/or entities in PNG. The settlement of obligations of the contract must be made in Kina.

9. TAXATION CLEARANCE LIMIT

Foreign exchange matters covered under this Part relate to FE Notice 19 of the Manual.

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

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11. CARD AND SIMILAR TRANSACTIONS

Foreign exchange matters covered under this Part relate to FE Notice 20 of the Manual.

An Authorised Dealer must report in its name the receipt or settlement of all transactions between Residents and Non-residents as "Travel" (see part 14.3 below). Cards must not be used to make transactions of capital nature covered under Section 3 above, for example, loan drawdowns or repayments; interest receipts or payments; other fees and charges on loans; dividend receipts or payments; or equity capital receipts or redemptions.

12. IMPORT OR EXPORT OF GOLD

Foreign exchange matters covered under this Part relate to FE Notice 17 of the Manual.

A gold import or export license must be obtained from the Central Bank to import or export gold from PNG.

13. FOREIGN EXCHANGE DEALER

Foreign exchange matters covered under this Part relate to FE Notice 1 of the Manual.

A foreign exchange dealer license must be obtained from the Central Bank before undertaking a foreign exchange business.

14. REPORTING

Foreign exchange matters covered under this Part relate to FE Notice 2 and FE Notice 21 of the Manual.

14.1 Balance of Payment Forms (BOP Forms)

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

A Form-V1 (BOP-V1), Form-V2 (BOP-V2), Form-V3 (BOP-V3) or Form-V4 (BOP-V4) must be completed and submitted direct to the Central Bank by an entity operating (1) a Foreign Currency account within or outside PNG or (2) a Kina account outside PNG, for transactions of capital nature specified on the Form. The Form must be submitted within two (2) weeks after the end of each calendar month. Further guidance must be sought from the Central Bank, where appropriate.

14.2 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 the Central Bank 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.

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14.3 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.

14.4 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 its Foreign Currency equivalent) is reported to the Central Bank on Form-C1 (BOP-C1). A sale of physical currency of K5,000.00 or less should not be reported to the Central Bank.

The same applies to the purchase of numismatic notes and coins from the Central Bank.

14.5 Resident Foreign Currency Accounts held with Authorised Dealers

Except as explained under Part 2 above:

- (1) all Resident entities in PNG must submit, after the end of each calendar month, a Form-OS (BOP-OS) on actual receipts and payments direct to the Central Bank; 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 14.1 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 the Central Bank;
- (3) an individual account-holder must complete and submit a Form-OS(I) (BOP-OS(I)) for each transaction on value date to an Authorised Dealer for forwarding to the Central Bank;
- (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-OS(I) (BOP-OS(I)), for forwarding to the Central Bank.

14.6 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 the Central Bank; and
- (2) establish the details of the transaction with the account-holder (or the Resident payer), and complete and submit a relevant BOP Form to the Central Bank, for funds paid into an account by Residents or funds paid to Residents from a Non-resident account.

14.7 Accounts held Outside Papua New Guinea

All Resident entities in PNG must submit a calendar month actual return on Kina or Foreign Currency receipts and payments, direct to the Central Bank on Form-OS (BOP-OS) (see also part 14.1 above).

14.8 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.