

OTHER OUTWARD INVESTMENTS BY RESIDENTS

- 1. Acquisition of Foreign Real Estate:** Residents are prohibited by the Exchange Control Regulations (s.7), from making any payments to non-residents, for the purchase of foreign real estate, without the specific approval of the Central Bank. Applications are considered on their merits and acquisitions must be funded through the Investment Currency Market (ICM)¹ unless otherwise permitted (see *Revised Exchange Control Regime Governing Capital Transactions*). Note that it is customary for approvals to be granted subject to standard conditions, namely;

 - (a) Receipt of documentary evidence of the purchase; and
 - (b) That profits received from the sale of the asset are repatriated to the Bahamas and evidence of conversion to Bahamian dollars provided to the Central Bank;
- 2. Investments in Timeshares:** Subject to approval, residents are allowed to invest in timeshares owned by non-residents at the official market rate. The special policies and restrictions relating to investments in timeshares should be noted.²
- 3. Portfolio Investments³ (Acquisition of foreign denominated securities):** Applications to purchase stocks/shares in publicly traded and private non-resident businesses, to acquire foreign government bonds etc. also require funding through the ICM. Approvals are also granted subject to standard conditions, namely;

 - (a) Documentary evidence that securities are held to the order of an Authorized Agent;
 - (b) That profits received from the sale of the asset are repatriated to The Bahamas and evidence of conversion to Bahamian dollars provided to the Central Bank;
- 4. Acquisition of shares by way of Employee Stock Plans:** Foreign owned institutions may make application on behalf of their resident employees to acquire privately held and publicly traded shares in the employer company by way of employee stock option grants, employee share purchase plans and employee stock option plans. Such plans allow resident employees to participate in company benefits and allow them to hold foreign currency denominated assets. Bahamian employees may therefore invest up to \$25,000.00 per annum in shares at the official rate. Any further amounts must be funded through the ICM.

¹ A facility through which residents may purchase foreign currency for investments abroad.

² See 'Revised Exchange Control Regime Governing Capital Account Transactions'

³ i.e. stocks, bonds, and money market instruments

5. Bahamian Depository Receipts (BDR's): BDR's are foreign currency denominated securities structured and marketed in Bahamian dollars by local broker/dealers. Applications are received from local broker/dealers on a quarterly basis to convert funds required to purchase foreign denominated securities to add to their portfolios. The Central Bank allocates up to 5% of the external reserves at previous year's end, but no more than \$35 million dollars to fund the BDR programme. The program allows resident investors, pension funds, local institutions and to lesser extent, Temporary Residents to acquire stocks traded on overseas exchanges in Bahamian Dollars. See the Revised Exchange Control Regime Governing Capital Account Transactions for further information.

Application Checklist/Conditions⁴

Where appropriate applications should include the following information/ documentation:

1. Documentary evidence to confirm the immigration status of the applicant;
2. Certificates of Incorporation, Designation Letters etc. of the entities involved;
3. Copies of licenses/approvals from local Regulators (i.e. Securities/Insurance Commission, URCA, etc.)
4. Documentary evidence with respect to the terms of the purchase:
 1. **real property:** sales agreement;
 2. **timeshare:** purchase agreement with payment schedule;
 3. **portfolio investment:** shareholder agreement, company prospectus etc.
 4. **employee stock plans:** detailed explanation of the plan, name of participating employees, national insurance numbers, and the number and value of shares which each person is eligible to buy;

Approvals:

NOTE:

1. **Timeshares:** Where approval is granted for the conversion of funds to invest in timeshares, no Foreign Currency Exchange Form is created; however, the approval letter should specify the conditions and the duration of the approval.

⁴ For further information see: *Revised Exchange Control Regime Governing Capital Account Transactions*,

2. **Employee Stock Plans:** Conditions may be placed in approval letters e.g.
 - (a) share certificates must always be lodged with or to the order of an Authorized Agent;
 - (b) updated listing of the names of the resident employees that will participate in the plan;
 - (c) foreign currency income realized from the investment in the shares must be converted to BSD, and evidence submitted to the Central Bank; and
 - (d) All transactions in the shares require the prior permission of the Central Bank.

FINANCING OUTWARD DIRECT INVESTMENTS – OTHER INVESTMENTS

1. **Other Investments:** Proposed investments which do not qualify to be financed with official exchange may, subject to the permission of the Central Bank being obtained, be financed in any combination of any of the following ways:
 - (a) By the use of foreign currency purchased in the Investment Currency Market;
 - (b) By the export, free of payment, of capital equipment and stock-in-trade of Bahamian manufacture forming an integral part of the investment;
 - (c) By use of borrowed foreign currency;
 - (d) By the issue or transfer of shares to non-residents on appropriate terms;
 - (e) By capitalization of an overseas subsidiary's current account indebtedness to The Bahamas' parent company.