

NOTICE TO AUTHORIZED DEALERS

EXCHANGE CONTROL REGULATIONS, 1956

This Notice is one in an administrative series issued by The Central Bank of The Bahamas to draw attention to the Regulations made under the Exchange Control Regulations Act, 1952 and the Exchange Control Regulations 1956, and to give certain exemptions, permissions, authorities and directions, and imposes certain obligations upon those concerned. This Notice also takes account of the fact that the Scheduled Territories include The Commonwealth of The Bahamas only.

LOANS, OVERDRAFTS GUARANTEES AND BANK CREDITS

This issue comes into effect 1st March, 1976 and supersedes those which were previously issued.

INTRODUCTION

1. This Notice sets out directions which should be observed in the granting of loans, overdrafts, the issue of guarantees and indemnities and the issue and confirmation of bank credits by Authorized Dealers.

LOAN TO RESIDENTS

2. Permission under the Exchange Control Regulations 1956 is required for residents of The Bahamas (other than Authorized Dealers):
 - (a) To borrow foreign currency for any purpose;
 - (b) To make a payment to, for credit of or on behalf of a non-resident, whether inside or outside The Bahamas.
3. Where a resident is desirous of borrowing foreign currency (including by means of overdraft) an application should be made to The Central Bank of The Bahamas, stating the name of the borrower, the sum to be advanced, the terms of repayment, the rate of interest to be charged and the purpose for which the funds are required.
4. Applications by residents of The Bahamas to borrow in Bahamian dollars from non-residents (holding funds on External Bahamian Dollar Accounts) should also be submitted to The Central Bank providing the information indicated at paragraph 3.

LOANS TO RESIDENT COMPANIES, BRANCHES, FIRMS AND BUSINESS CONTROLLED BY NON-RESIDENTS

5. Authorized Dealers and other lenders in The Bahamas require permission from The Central Bank of The Bahamas before they may lend money or securities to any business entity (other than an Authorized Dealer) which is resident for Exchange Control purposes and which is by any means controlled whether directly or indirectly by non-residents.
6. Applications for such permission should be made by letter. The following information should be provided:
 - (a) The name and address of the borrower;
 - (b) The nature of the borrower's business;
 - (c) The amount and terms of the loan;
 - (d) The purpose for which the facility is required;
 - (e) Proposed arrangements for repayment; and

- (f) Details of any benefits expected to accrue to The Bahamas as a result of the borrowing.

Where necessary, the Bank may request Audited Financial Statements in addition to the above information.

LOANS AND OVERDRAFTS TO TEMPORARY RESIDENTS AND NON-RESIDENTS

- 7. The permission of The Central Bank of The Bahamas is required for the grant of loan or overdraft to a non-resident or temporary resident.
- 8. Permission is hereby given to Authorized Dealers to grant Bahamian dollar loans or overdraft facilities in the following circumstances:
 - (a) Where cover which had been notified to be arriving from a non-resident banking correspondent before the close of business has not been received, subject to the condition that the facility is liquidated on the next working day;
 - (b) By way of facilities not exceeding B\$15,000 in total for any one account holder for any of the following purposes:
 - (i) The maintenance of the account holder and/or members of his immediate family whilst living in The Bahamas;
 - (ii) The maintenance of property in The Bahamas belonging to the account holder;
 - (iii) To defray personal commitments incurred in The Bahamas by the account holder.

Authorized Dealers must be satisfied that the account holder has not obtained these facilities from another local bank, and where such is the case, the amount of such facilities must be deducted from the total amount permitted by this paragraph.

- 9. Applications for Bahamian dollar loan or overdraft facilities for all cases other than those described in paragraph 8 must be made in writing to The Central Bank providing the information indicated in paragraph 3.
- 10. All loans and overdrafts granted to non-residents must be repaid in Bahamian dollars from an External Account, from funds eligible for credit to such an account or from the proceeds of foreign currency. Facilities granted temporary residents may be repaid in Bahamian dollars from resident accounts or from the proceeds of foreign currency.

11. Authorized Dealers may, without the prior permission of The Central Bank, make foreign currency loans and advances to non-residents and temporary residents from their non-local foreign currency resources, provided repayment is to be made from sources outside The Bahamas.

GUARANTEES

12. Authorized Dealers may, without the prior permission of The Central Bank, give or renew guarantees, indemnities and commitments of the following types, subject to the conditions stated:
 - (a) Guarantees given by Authorized Dealers on behalf of their customers in the ordinary course of business in respect of missing documents, the authenticity of signatures, the release of goods on Trust Receipt and the like;
 - (b) Commitments under Bail Bonds and Salvage, General Average and Customs Guarantees entered into by Authorized Dealers on behalf of:
 - (i) Residents of The Bahamas in favour of non-residents,
 - (ii) Non-residents in favour of residents of The Bahamas provided that reimbursement of payments under the Bond or Guarantee will be made in Bahamian dollars from an External Account or in a foreign currency.
13. Applications should be made in writing to The Central Bank of The Bahamas for permission to enter into any guarantee on behalf of, or in favour of, a resident of a country outside The Bahamas which is not covered by paragraph 12 above.
14. Permission is hereby given for Authorized Dealers to effect payments in implementation of guarantees provided that:
 - (a) The guarantee was given in accordance with the terms of paragraph 12 above or with the specific authority of The Central Bank of The Bahamas;
 - (b) The payments conform with the terms of the guarantee;
 - (c) The outstanding amount of the guarantee is written down by the amount of the payment.

BANK CREDITS

Bank Credits Opened etc. by Authorized Dealers in The Bahamas

15. The approval of The Central Bank of The Bahamas should be obtained for the opening etc., of a Bank Credit in which a non-resident or a temporary resident is involved and which provides for drafts to be drawn on a bank in The Bahamas. Any Authorized Dealer undertaking such business should

approach The Central Bank of The Bahamas in order that suitable arrangements may be made. Authorized Dealers may establish, open, advise and notify credits in favour of non-residents and temporary residents in respect of imports into The Bahamas where the purchase of foreign currency is duly authorized provided the validity of the credit does not exceed the period of authorization.