



## Annex C

# FURTHER MEASURES FOR THE SIMPLIFICATION AND RELAXATION OF EXCHANGE CONTROL ADMINISTRATIVE ARRANGEMENTS FOR CURRENT & CAPITAL ACCOUNT TRANSACTIONS

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## I. OVERVIEW

1. In keeping with its continued commitment to the gradual liberalisation of Exchange Controls, the Central Bank of The Bahamas (“CBOB”) is undertaking several further reforms to Exchange Control administration, after consultation with the Minister of Finance. The adjustments, except for the Investment Currency Market (ICM), take effect on 1<sup>st</sup> April, 2024. Those impacting the ICM will take effect on 1<sup>st</sup> June, 2024.
2. Over the years, the CBOB, in consultation with the Minister of Finance, has gradually increased the delegated authority of commercial banks (Authorised Dealers) to approve payments for various categories of current account transactions; gradually increased the access of Bahamians to both inward and outward facing investment transactions; and liberalised the ease with which non-residents (particularly foreign investors) transact with the domestic economy. Liberalisation measures continue to be paced against outcomes that are sustainable and manageable, given the overriding importance of maintaining adequate foreign reserves to safeguard the Bahamian dollar fixed exchange rate.
3. On the whole, the 2024 measures are expected to result in improved efficiencies for both residents and temporary residents (work permit holders). For residents, the measures further reduce the requirement for prior approvals from the CBOB for a range of payments, on transactions on both the current account (trade related payments and transfers) and the capital & financial account (investments). For temporary residents, added ease is provided in obtaining certain local currency products and services provided by commercial banks. For non-residents, residential real estate transactions will be further distanced from exchange control vetting.

## II. CURRENT ACCOUNT TRANSACTIONS

4. The CBOB will delegate authority to commercial banks and money transmission businesses to approve of the following additional current account transactions. Presently, these either partially or in full, have less scope to be approved by commercial banks.
  - a. Insurance premium payments to non-resident beneficiaries – up to the amount on the policy.\*
  - b. Pension payments to non-residents (extended coverage) – up to the amount on the policy (up to \$1,000,000).\*
  - c. Royalty payments (franchise related) – up to the amount on the bill.\*
  - d. Gifts to non-residents increased from \$15,000 to \$100,000 per transaction.
  - e. Support payments (other than those under court order) – up to \$100,000.\*
  - f. Travel (group/business) – increased from \$15,000 to \$100,000/trip (cash transactions still limited to \$15,000)

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- g. Rental payments to non-Bahamians and/or their companies in respect of local property – up to the amount on lease.\*
- h. Bahamian Dollar credit cards for holders of work visas – Temporary Residents who qualify for a B\$ credit card may obtain one.\*
- i. Foreign payments for transportation and accommodation booked through Bahamian travel agencies – up to the amount on the bill.\*
- j. External Bahamian Dollar account transactions (refunds/reimbursements) – up to the total refund.\*

Note: The highlighted transactions (\*) previously required application to be made to the CBOB.

### III. CAPITAL ACCOUNT TRANSACTIONS

5. The following capital account relaxations are scheduled to take effect:

- a. Investment Currency Market purchases—up to \$100,000 per annum for individuals.\*
- b. Transactions involving nominee shares transfers – no prior approval required (where there is no change in beneficial ownership of the company), however the CBOB must be notified in writing.\*
- c. Purchases or sale of mixed-use residential-rental real estate and vacant land by, from or to non-residents (extended coverage) – foreign currency financed transactions may conclude without reference to CBOB. However, property purchases associated with development projects (including multi-residential projects) and property purchases that include local financing (inclusive of mortgage back arrangements) must still be approved by the CBOB.\*
- d. Prerequisite condition for Bahamians to access foreign currency financing – there is no longer a requirement to produce refusal letters from local Authorised Dealers.
- e. Overdraft facilities for “resident” designated businesses – these facilities may be provided by an Authorised Dealer provided the underlying account has been approved by CBOB.\*



#### **IV. 2024 FURTHER LIBERALISATION OF EXCHANGE CONTROL ADMINISTRATION**

##### **A. Background**

In the context of its strategic focus for the years 2022-2025 and in collaboration with the Government of The Bahamas, particularly the Ministry of Finance, the Central Bank of The Bahamas (“CBOB”) is undertaking further liberalisation of the Exchange Control (“EC”) regime. With the exception of the Investment Currency Market reform, these take effect 1<sup>st</sup> April, 2024. The relaxation covers a range of current and capital account items, including the easing of rules for non-resident real estate transactions; easier access of residents to foreign currency financing from overseas; and more streamlined approvals of payments for gifts to non-residents, insurance remittances, travel, and franchise royalties. The CBOB is also introducing a more simplified process for locals wishing to invest overseas via the Investment Currency Market (“ICM”), which would take effect on 1<sup>st</sup> June, 2024, in order to establish the additional administrative and reporting mechanisms that are needed for Authorised Dealers (“commercial banks”).

The reform measures represent yet another phased liberalisation, balancing the objectives of improved administrative processes and deepened capital market access, against preserved sustainability of the Bahamian dollar fixed exchange rate.

For the remainder of 2024 and 2025, the CBOB will continue to focus on the following: deeper stakeholder engagement on capital account liberalisation and capital flow management policies; more visible and better promotion of the quality of the regulatory regime impacting financial commercial bank’s delegated responsibilities; and strengthened public relations capacity in the policy and technical work streams within the CBOB, relating to the accumulated policies on Exchange Control.

**Effective date:** 1<sup>st</sup> April 2024

**Categories covered:**

**Capital Items:**

- Transactions involving nominee shares
- Purchases or sale of real estate by, from or to non-residents (extended coverage)
- Bahamians' access to foreign currency financing
- Overdraft facilities

**Current Items:**

- Insurance payments to non-resident beneficiaries
- Pension payments to non-residents (extended coverage)
- Royalty payments (franchise related)
- Gifts to non-residents
- Support payments (other than those under court order)
- Travel (group/business)
- Rental payments to non-Bahamians and/or their companies in respect of local property
- Bahamian Dollar credit cards for holders of work visas
- Foreign payments for transportation and accommodation booked through Bahamian travel agencies
- External Bahamian Dollar account transactions (refunds/reimbursements)

**Effective date:** 1<sup>st</sup> June 2024

- Bahamians' foreign portfolio investments abroad

**B. CURRENT ACCOUNT MEASURES**

Transaction	Current Measure	New Measure	Administrative Details
<b>a)</b> Gifts (Payable to non-resident individuals, churches or charitable organizations only)	Reference to CBOB required for amounts above \$15,000	Reference to CBOB required for amounts above \$100,000.	<ul style="list-style-type: none"> <li>• Documentary evidence of Exchange Control status of recipient must be clear and documented.</li> <li>• Enhanced due diligence is advised for Authorised Dealers.</li> </ul>
<b>b)</b> Travel Business/Professional/Groups	\$15,000/trip with valid passport/ticket/business licence or official letter	\$100,000/trip with valid passport/ticket, business licence and official letter re. purpose of travel.	<ul style="list-style-type: none"> <li>• Subject to due diligence and AML standards and internal policies and practices of relevant Authorised Dealer.</li> <li>• \$15,000 cash conversion limit is maintained and funds are still not to be used for imports or to fund foreign accounts or investments.</li> <li>• Credit card usage may not result in specified limits being exceeded, without the prior approval of CBOB.</li> </ul>
<b>c)</b> Conversion of B\$ for Insurance Premiums	Prior CBOB approval required	Delegated to authorised dealers up to amount on invoice presented.	<ul style="list-style-type: none"> <li>• Reinsurance premiums continue to require CBOB approval.</li> <li>• Relevant invoices/contracts must be provided to Authorised Dealers.</li> <li>• Authorised Dealers can expect Increased monitoring by the CBOB.</li> </ul>
<b>d)</b> Conversion of B\$ for Insurance Claims to non-residents by resident insurance companies (e.g., death benefits, accident claims, etc.) & insurance claim by non-resident companies (e.g., health care facilities/hospitals, etc.)	Prior CBOB approval required	Delegated to authorised dealers up to amount on policy (up to \$1,000,000.00)	<ul style="list-style-type: none"> <li>• Relevant invoices/contracts must be provided to Authorised Dealers. For high value, multiple payments transactions, Authorised Dealers should require production of a consolidated invoice.</li> <li>• Authorised Dealers may expect Increased monitoring by the CBOB.</li> </ul>

## FURTHER LIBERALISATION OF EXCHANGE CONTROL ADMINISTRATION (2024)

<b>e) Conversion of B\$ for Royalty Payments</b>	Prior CBOB approval required	Delegated to Authorised Dealers up to amount on bill	<ul style="list-style-type: none"> <li>• CBOB prior approval required for residents to enter franchise arrangements.</li> <li>• Franchise agreement and invoice from franchisor must be provided to Authorised Dealer.</li> <li>• This transaction is distinct from theatrical, literary, gramophone, musical, mechanical, manufacturing royalties, which are already delegated.</li> </ul>
<b>f) B\$ Credit Cards to Temporary Residents</b>	Prior CBOB approval required	Temporary Residents that qualify for a B\$ credit card may obtain one.	<ul style="list-style-type: none"> <li>• Same qualifying criteria as required for a B\$ loan.</li> <li>• Non-residents are still restricted from having access to local currency credit.</li> </ul>
<b>g) Pension Payments to Non-Residents</b>	Prior CBOB approval required	Delegated to Authorised Dealers.	<ul style="list-style-type: none"> <li>• Documentary evidence of Exchange Control status must be clear and documented.</li> <li>• Arrangements are comparable to the one Authorised Dealers have in place for NIB payments to non-residents.</li> </ul>
<b>h) Support Payments (e.g. alimony/child support. All - i.e. under court order or not)</b>	Prior CBOB approval required for payments not under court order	Delegated to Authorised Dealers up to \$100,000.	<ul style="list-style-type: none"> <li>• Documentary evidence of Exchange Control status of recipient must be clear and documented.</li> </ul>
<b>i) Reconversion of funds inadvertently converted to Bahamian Dollars</b>	Prior CBOB approval required	Authorised Dealers may handle without reference to CBOB, up to \$100,000.	<ul style="list-style-type: none"> <li>• This does not apply to inadvertent conversions for transactions that require the prior approval of the CBOB (e.g. company share transactions between non-residents, non-delegated property transactions, etc.)</li> <li>• Authorised Dealers must monitor and report on sales using Category code 4063.</li> </ul>
<b>j) Remittances for car rental and hotels booked through Bahamian-owned travel agencies</b>	Prior CBOB approval required	Delegated to Authorised Dealers.	<ul style="list-style-type: none"> <li>• This facility is for Bahamian-owned travel agencies to regularise existing practices.</li> <li>• Authorised Dealers must be satisfied from documentary evidence produced that the payment falls within the facility and is due.</li> <li>• Authorised Dealers must monitor and report on sales using Category code 2018.</li> </ul>

## FURTHER LIBERALISATION OF EXCHANGE CONTROL ADMINISTRATION (2024)

<p><b>k) Rental Payments to Non-Residents for local property</b></p>	<p>Prior CBOB approval required</p>	<p>Delegated to authorised dealers up to amount on lease</p>	<ul style="list-style-type: none"> <li>• Conversion of real estate rental payments made in B\$ to non-resident landlords for rental of local property.</li> <li>• Documentary evidence of Exchange Control status for landlord and tenant must be clear (e.g., passport and Bahamas Immigration document).</li> <li>• Documentary evidence of property ownership and Investments Board Permit in favour of landlord.</li> <li>• Copy of lease/rental agreement. and Investments Board permit.</li> </ul>
<p><b>l) Standby Letters of Credit, Customs Bonds</b></p>	<p>Prior CBOB approval required</p>	<p>Delegated to Authorised Dealers.</p>	<ul style="list-style-type: none"> <li>• Authorised Dealers should conduct appropriate due diligence to verify the identity of the parties and the bona fides of the transaction. E.g., obtain:</li> <li>• Clear documentary evidence of identity and Exchange Control status for applicant and beneficiary.</li> <li>• Passports/Certificates of incorporation or similar document for applicant and beneficiary</li> <li>• Applicant's current business license</li> <li>• Contract/agreement and/or invoice.</li> </ul>
<p><b>m) Refunds to External B\$ account (e.g. for utilities reimbursements/salary adjustments)</b></p>	<p>Prior CBOB approval required</p>	<p>Delegated to Authorised Dealers.</p>	<ul style="list-style-type: none"> <li>• Documentary evidence of refund must be provided.</li> </ul>

C. CAPITAL ACCOUNT MEASURES

Transaction	Current Measure	New Measure	Administrative Details
<p>a) Conversion of B\$ for Investment abroad via ICM, with effect from June 1<sup>st</sup> 2024</p>	<p>Prior CBOB approval required.</p>	<p>1) Delegated to Authorised Dealers up to \$100,000 per resident individual investor per year. 2) Institutions and Accredited Investors: Access is subject to CBOB approval, and may be subject to utilization over a period that exceeds one year. <b>NOTE:</b> “Accredited Investors” has the meaning defined by the Securities Commission of The Bahamas.</p>	<ul style="list-style-type: none"> <li>• ICM is accessible to Bahamians and permanent residents with no restrictions on employment in The Bahamas and/or their wholly owned companies.</li> <li>• The B\$100,000 ICM delegated amount is for portfolio investments, including stocks/securities (including ESOPs), bonds, mutual funds, ETFs, and derivatives.</li> </ul> <p>Single Bank and Branch Requirement:</p> <ul style="list-style-type: none"> <li>• Authorised Dealers must check if the customer has used the ICM \$100,000 delegated amount at any other bank and inform them they must select one bank and branch for all ICM transactions. This ensures proper tracking and future redemption of the 2.5% premium.</li> <li>• Authorised Dealers should require appropriate documentation of identity and Exchange Control status. Ensure customers provide their National Insurance Board number for tracking usage and future redemption of the 2.5% premium. The details of the proposed investment abroad should be verified. Refer to the Central Bank’s Guidance on Investments Abroad.</li> <li>• Local Authorised Agents may apply for ICM approval on behalf of their customers.</li> <li>• Authorised Dealers should ensure ICM funds are paid directly to the service provider or entity responsible for the investment. Funds should not be transferred to the investor or unauthorised persons.</li> <li>• Investments should be funded from customers’ personal savings/resources, not from borrowings.</li> </ul>



C. CAPITAL ACCOUNT MEASURES

Transaction	Current Measure	New Measure	Administrative Details
			<ul style="list-style-type: none"> <li>The offer/sell and buy/bid rates remain at 5% and 2.5%, respectively. Government Stamp Duty remains at 1.5%.</li> <li>Monitor and report ICM sales in the Daily Sales Report using category code 6010. Include the customer's full legal name and National Insurance Board number for tracking and future redemption of the 2.5% premium.</li> </ul>
<b>b)</b> Overdraft facilities	Prior CBOB approval required	Delegated to Authorised Dealers.	<ul style="list-style-type: none"> <li>The underlying account must be approved by the CBOB.</li> </ul>
<b>c)</b> Letters of Refusal for Bahamians/Residents seeking foreign currency financing for businesses	Two letters of refusal from Authorised Dealers required	Removal of requirement	---
<b>d)</b> Non-Resident Property Transactions (excluding those involving financing or non-exempt property types)	Prior CBOB approval required for non-residents' purchases and sales of mixed-use residential-rental property, small-scale rental property, and vacant land.	April 2019 delegation of non-residents purchases and sales of residential property extended to their purchases and sales of small-scale rental property, mixed-use residential-rental property and vacant land.	<ul style="list-style-type: none"> <li>Not applicable to non-residents purchases and sales of property for commercial uses - e.g. large-scale property developments, or to inherited property.</li> <li>Not applicable if the purchase or sale involves financing, local or external, where the property is offered as security (including mortgage backs).</li> <li>Non-residents no longer need CBOB approval for: (1) designation of property holding companies, (2) approval of issue/transfer shares to non-residents in property holding companies, (3) approved investment status to non-residents for property purchases or shares in property holding companies, (4) permission to retain and remit or convert and remit the proceeds of sale of property. <b>[Subject to the exceptions stated in the two bullet points above.]</b></li> </ul>
<b>e)</b> Transfers of nominee shares in resident and/or non-resident designated companies	Prior CBOB approval required	No prior approval required where there is no change in	<ul style="list-style-type: none"> <li>CBOB must be notified of changes in nominees' shares and be provided with a certified copy of the updated share register, declaration of trust by</li> </ul>

**C. CAPITAL ACCOUNT MEASURES**

Transaction	Current Measure	New Measure	Administrative Details
		beneficial ownership of the company.	the nominee, identification and Bahamas immigration documentation for the nominee.
f) B\$ mortgage facility to temporary residents	Temporary Residents, who have resided and worked in The Bahamas for at least three (3) years, may borrow up to \$1,000,000 in Bahamian dollars, to finance a first-time owner-occupied residential dwelling. Where the residency requirement is not met, reference must be made to CBOB.	The residency requirement is waived.	<ul style="list-style-type: none"> <li>• Not applicable to investment properties like vacant lots, duplexes, second homes, or mixed-use residential-rental properties.</li> <li>• Banks must report all such mortgages to the CBOB and provide copies of borrower's work permit and registered mortgage.</li> <li>• Banks must report to the CBOB any enforcement of the loan's collateral.</li> <li>• Temporary residents must register their investment in property with the CBOB after mortgage payoff, by submitting copies of their recorded conveyance and related Investments Board document (i.e. certificate of registration).</li> </ul>

**D. Balance of Payments Implications and Monitoring**

The CBOB has carefully evaluated the balance of payments ("BOP") risks involved with the proposed reforms. The impact net foreign exchange outflows is not expected to increase to any material degree for the Bahamian economy. Additionally, through the reporting requirements in place for commercial banks the CBOB is able to monitor relevant transactions statistically, to inform any policy adjustments that might be needed from time to time.