



## REVISED EXCHANGE CONTROL REGIME GOVERNING CAPITAL ACCOUNT TRANSACTIONS

ARRANGEMENTS	ADMINISTRATIVE DETAILS
<b>1. INVESTMENT CURRENCY MARKET RATE STRUCTURE</b>	
<ul style="list-style-type: none"> <li>▪ Bid/offer rates reduced to 12.5%/10%, from 25%/20%.</li> <li>▪ Current investors, should they desire, will be allowed up to 31<sup>st</sup> March 2006 to liquidate their original capital investments (excluding capital gains &amp; income) through the ICM at the old offer rate of B\$1.20 = US\$1.00.</li> </ul>	<ul style="list-style-type: none"> <li>▪ The Investment Currency Market (ICM) is administered by the Central Bank of The Bahamas.</li> <li>▪ Applications for investment currency may be submitted on the current form used by the public to make requests for foreign exchange purchases.</li> <li>▪ Access to investment currency may be subject to broader policy considerations.</li> </ul>
<b>2. OVERSEAS PORTFOLIO INVESTMENTS BY RESIDENTS</b>	
<b>(a) Employee Stock Option/Share Purchase Plans (ESOPs/ESPPs)</b>	
<p>Bahamian employees of foreign-owned institutions in The Bahamas may invest up to \$25,000 per annum (previously \$10,000 established in May 1995) in shares of the employer, at the official rate.</p> <p>Amounts above this limit must be funded through the ICM.</p>	<ul style="list-style-type: none"> <li>▪ This facility allows Bahamians to enjoy benefits equivalent to those available to their overseas counterparts.</li> <li>▪ Employers must apply to the Central Bank on behalf of participating employees, providing a listing of their names, NIB numbers, and the number and value of shares which they are eligible to buy.</li> <li>▪ Individual employee allowances are non-transferable and non-cumulative.</li> <li>▪ Ownership/share certificates must always be lodged with or to the order of an Authorised Agent. Upon severance or termination of the employment relationship, it is the responsibility of the employer to ensure that the certificate continues to be lodged under these conditions, including at any Authorised Agent chosen by the employee.</li> </ul>
<b>(b) Employee Stock Option/Grants (ESOGs)</b>	
<p>No change. No restrictions exist on amounts which employees may hold.</p>	<ul style="list-style-type: none"> <li>▪ Requirements are identical to those governing ESOPs/ESPPs.</li> </ul>
<b>(c) Publicly Traded Foreign Securities Listed on BISX as BDRs</b>	
<p>On an annual basis, up to 5% of the external reserves at previous year's end, but not to exceed \$25 million, will be allocated for funding the structuring of BDR products, at the</p>	<p>Local broker/dealers will structure and market these BDRs, allowing resident investors, including individuals, pension funds and institutions, the ability to buy, in Bahamian dollars, stocks traded on overseas exchanges.</p>



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<p>official rate of exchange. Measure is intended to assist with the development of domestic capital markets.</p>	<p>Offerings would be subject to appropriate approvals from the Central Bank, the Securities Commission, and BISX. A separate communication is to be issued on the operational framework.</p>
<b><i>(d) Other Overseas Investments in Securities</i></b>	
<p>Except for ESOPs/ESPPs /ESOGs and BDRs, all other outward portfolio investments must be financed through the ICM.</p>	<p><b>For the acquisition of foreign securities:</b></p> <ul style="list-style-type: none"> <li>▪ applications should be submitted to the Central Bank on a current form used by the public to make requests for foreign exchange purchases.</li> <li>▪ applicants will be required to provide satisfactory details/evidence of the proposed investment.</li> <li>▪ ownership of securities or brokerage/investment accounts must be lodged in the custody of an Authorised Agent or an <u>approved institution on</u> behalf of an Authorised Agent.</li> <li>▪ applicants are required to produce evidence of compliance with custodial arrangements to the Bank within 30 days of approval.</li> </ul> <p><b>On the sale of foreign securities/liquidation of brokerage accounts:</b> Investors will be required to repatriate proceeds to The Bahamas, with the original capital being converted at the ICM offer rate. Income and capital gains will be converted at the official rate.</p>
<b><i>(e) National Insurance Board (NIB)</i></b>	
<p>NIB granted a maximum of \$25 million annually for foreign investments, at the official rate of exchange.</p>	<p>Modalities have been structured in conjunction with NIB officials.</p>
<b>3. REAL ESTATE INVESTMENTS</b>	
<b><i>(a) Time Share Purchases</i></b>	
<ul style="list-style-type: none"> <li>▪ Each family unit is permitted an investment of \$25,000,</li> </ul>	<ul style="list-style-type: none"> <li>▪ To apply for this facility, residents will be required to register evidence of timeshare</li> </ul>



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<p>once every ten years, at the official rate.</p> <ul style="list-style-type: none"> <li>▪ Amounts above this limit must be funded through the ICM.</li> <li>▪ Family is defined as a marital unit or persons over 18 years of age.</li> </ul>	<p>purchase agreements with the Central Bank with details of the payment schedule negotiated.</p> <ul style="list-style-type: none"> <li>▪ The Central Bank will then grant written approvals for individuals to purchase foreign exchange (within the \$25,000 limit) from Authorised Dealers. The approval will be valid for the duration of the period for which timeshare payments are required.</li> <li>▪ Credit cards will also be an approved means of making timeshare payments.</li> </ul>
<i>(b) Other Foreign Real Estate</i>	
<ul style="list-style-type: none"> <li>▪ No Change</li> </ul>	<ul style="list-style-type: none"> <li>▪ Acquisitions must be funded through the ICM.</li> <li>▪ Applications may be submitted to the Central Bank on the current form used by the public to make requests for foreign exchange purchases.</li> </ul> <p>In support of the request, applicants will be required to provide the Central Bank with satisfactory details or evidence of the proposed investment, including copy of sales agreement.</p>
<b>4. SPECIAL CRITERION INVESTMENTS<sup>1</sup></b>	
<p>No change. Residents are permitted to purchase \$1 million per person or entity, for direct (i.e. not portfolio), investments, both in The Bahamas' offshore sector as well as abroad, subject to an overall limit of \$5 million per transaction, via official market. May be accessed once every three (3) years.</p>	<ul style="list-style-type: none"> <li>▪ Application must be made to the Central Bank in writing, with the full particulars and documentation of the proposed investment.</li> <li>▪ Approvals granted by the Central Bank are used to purchase the required foreign currency from Authorised Dealers.</li> </ul>
<b>5. CAPITAL TRANSFERS ABROAD LINKED TO EMIGRATION</b>	
<ul style="list-style-type: none"> <li>▪ For Bahamians taking up residency abroad, the amount</li> </ul>	<ul style="list-style-type: none"> <li>▪ Applicants must complete a set of Emigration Forms (listing of assets and related</li> </ul>

<sup>1</sup> These are investments which are expected to yield positive returns to the balance of payments, within a specified period of time.



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<p>available for conversion, at the official rate is increased to \$250,000 from \$125,000 per family, per annum.</p> <ul style="list-style-type: none"> <li>▪ Amounts above these annual limits must be funded through the ICM.</li> </ul>	<p>documentary evidence) available at the Central Bank, supported by evidence of permanent residency abroad.</p> <ul style="list-style-type: none"> <li>▪ The Central Bank will issue an Emigration Approval, authorizing the purchase of foreign exchange from an Authorised Dealer.</li> <li>▪ The Emigration Approval must be renewed each year.</li> </ul>
<p><b>6. ARRANGEMENTS AFFECTING TEMPORARY RESIDENTS &amp; PERMANENT RESIDENTS (WITH RESTRICTED RIGHT TO WORK)</b></p>	
<p><i>(a) B\$ Credit Facilities for Temporary Residents</i></p>	
<p><i>i) Consumer Loan (B\$)</i></p>	
<p>Temporary Residents may borrow up to a maximum of B\$50,000 (increased from \$6,000) for consumer related purposes.</p>	<ul style="list-style-type: none"> <li>▪ No application to the Central Bank is necessary, as transactions are handled by Authorised Dealers under delegated authority.</li> </ul>
<p><i>ii) Mortgage Loans (B\$)</i></p>	
<ul style="list-style-type: none"> <li>▪ Temporary Residents, who have resided and worked in The Bahamas for at least three years, may borrow up to a maximum of B\$200,000 to finance <u>owner-occupied</u> dwellings. Previously, requests were handled on a case by case basis.</li> </ul> <p>Where the proposed transaction exceeds \$200,000, or where the residency requirement is not met, the entire transaction must be funded in foreign currency.</p>	<ul style="list-style-type: none"> <li>▪ Arrangements to be put in place for applications to be dealt with by Authorized Dealers, under delegated authority.</li> </ul>
<p><i>(b) Investments in Domestic Securities</i></p>	
<p>Temporary Residents and Permanent Residents (with restricted right to work) may now:</p>	<ul style="list-style-type: none"> <li>▪ All investments must be funded from Bahamian dollar earnings.</li> <li>▪ Should there be a change in residency status to non-resident, such investors would be required to divest themselves of these holdings.</li> </ul>



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<p>i. invest in obligations of companies listed on BISX up to an aggregate of 10% of the respective issue/offering.</p>	<ul style="list-style-type: none"> <li>▪ To allow for monitoring of limits, investors will be required to establish and maintain a single brokerage account, with a domestic broker-dealer, for all transactions.</li> <li>▪ Broker dealers will be required to provide the Central Bank with the requisite info to ensure compliance with this limit.</li> </ul>
<p>ii. invest in public sector securities for which the Central Bank acts as registrar, subject to an overall limit of \$100,000 per person/entity.</p>	<ul style="list-style-type: none"> <li>▪ Applications may be submitted directly to the Central Bank</li> </ul>
<p><b>7. INVESTMENT IN DOMESTIC SECURITIES BY RESIDENT DESIGNATED ENTITIES</b></p>	
<p><i>(a) Private Sector Securities (Debt, equities, etc.)</i></p>	
<p>Companies designated resident for Exchange Control purposes, with no term restrictions on their operations in The Bahamas, and that in the normal course of their business activities invest in securities (i.e. insurance companies and other financial service providers (brokerage houses), may invest in:</p> <p style="margin-left: 20px;">i. equities of companies listed on BISX, up to a limit of 10% of the issue/offering, per investing entity.</p> <p style="margin-left: 20px;">ii. other private and public sector debt securities, without limit.</p>	<ul style="list-style-type: none"> <li>▪ All investments must be funded from B\$ resources.</li> <li>▪ To allow for monitoring of private equity limits, investors will be required to establish and maintain a single brokerage account, with a domestic broker-dealer, for all transactions.</li> <li>▪ Broker dealers will be required to provide the Central Bank with the requisite info to ensure compliance with this limit.</li> </ul>
<p><b>8. Cross Border Listings</b></p>	
<p><i>(a) Bahamian Companies</i></p>	
<p>Bahamian companies listed on BISX may list equity securities on principal CARICOM exchanges (i.e. Barbados, Jamaica, ECU and Trinidad &amp; Tobago), subject to a limit of 10% of issued and outstanding voting share capital, and up to a maximum of \$20.0 million.</p>	<ul style="list-style-type: none"> <li>▪ BISX is presently putting in place the operational mechanism and policies to govern cross listing and trading, and expects this process to be completed within the year.</li> </ul>



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<i>(b) Foreign Companies</i>	
<p>Foreign companies listed on principal CARICOM exchanges (see above) may list issued and outstanding equity securities on BISX.</p> <p>The at cost value of net capital invested [purchases less sales] any such public offering via BISX may not, at the time of listing/offering, in the aggregate, exceed \$5.0 million per quarter and a maximum of \$20 million per annum.</p>	