



## REVISED EXCHANGE CONTROL ARRANGEMENTS GOVERNING CAPITAL ACCOUNT TRANSACTIONS (EFFECTIVE 1ST FEBRUARY 2018)

| CURRENT ARRANGEMENTS   | PROPOSED CHANGE  | ADMINISTRATIVE DETAILS  |
|--|--|---|
| <b>1. Investment Currency Market</b>   |  |   |
| <p>i. Except for special criterion investments, residents must finance capital investments abroad with investment currency purchased from the Central Bank at a rate of B\$1.125 = US\$1.000. Upon liquidation of the investment the capital proceeds must be sold back to the Central Bank at a rate of B\$1.100 = US\$1.000.</p> | <p>Buying/bid rate: B\$1.050 = US\$1.000<br/>Selling/offer rate: B\$1.025 = US\$1.00.</p>  | <ul style="list-style-type: none"> <li>▪ Application to purchase investment currency must be made to the central bank, with particulars of the intended investments. On disposal of investments proceeds must be sold in the investment currency market.</li> </ul>   |
| <p>ii. No delegated authority to Commercial Banks.</p>   | <p>At a date to be fixed in 2018, all investment currency transactions will be delegated to commercial banks.</p>  | <ul style="list-style-type: none"> <li>▪ Evidence of prior approval for the Central Bank will be required to either buy or dispose of investment currency.</li> </ul>   |
| <p>iii. Each trade in assets funded with investment currency requires prior approval from the Central Bank.</p>  | <p>Residents may apply for, and obtain approval, to fund and maintain trading portfolios of securities with Authorised Agents (Trust Companies, designated as residents for Exchange Control purposes). Individual trades within the portfolio will not require Central Bank approval.</p> | <ul style="list-style-type: none"> <li>▪ Authorised Agents will be required to report regularly to the Central Bank on the particulars of trading accounts in the format to be specified by the Bank.</li> <li>▪ Upon liquidation of the portfolio, proceeds must be converted back into Bahamian dollars through the ICM.</li> </ul> |
| <b>2. Holding of Foreign Currency Deposits and Investment Assets by Residents</b>  |  |   |
| <p>i. Upon approval from the Central Bank, resident business, that earn significant revenues in foreign currency, may maintain</p>   | <p>Without prior approval from the Central Bank resident businesses may open and maintain foreign currency for operating transactions, from revenues</p>   | <ul style="list-style-type: none"> <li>▪ Commercial banks must provide regular reporting on foreign currency deposits accounts maintained by residents, by identity of</li> </ul>   |



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| foreign currency deposit accounts to fund current account transactions and to service foreign currency debt.   | <p>earned in foreign currency, with balances of up to \$100,000. The limit applies to accounts maintained in the aggregate, if at multiple commercial banks.</p> <p>Prior Central Bank approval is required to maintain accounts with balances exceeding \$100,000.</p>  | <p>the account holder.<sup>1</sup></p> <ul style="list-style-type: none"> <li>▪ Payments in foreign currency to residents and resident entities may not be made against these approved accounts, without approval from the Central Bank.</li> <li>▪ Converted Bahamian dollar proceeds shall not be deposited into these accounts.</li> </ul>   |
| <p>ii. Residents are not allowed to fund and maintain foreign currency assets outside The Bahamas, without approval from the Central Bank, in accordance with the rules of the investment currency market.</p> <p><b>Note:</b> Assets funded with capital proceeds from outside The Bahamas are not subject to investment currency market rules.</p> | <p>Upon application to the Central Bank, approval will be granted to retain existing foreign currency assets, without penalty, with the right to repatriate the assets or to maintain the holdings outside The Bahamas.</p> <p>Deposits and other assets repatriated to the Bahamas may be retained in foreign currency.</p> <p>Foreign currency denominated accounts may not be funded with proceeds converted from of Bahamian dollars</p> | <ul style="list-style-type: none"> <li>▪ Application must be made to the Central Bank in format prescribed by the Bank.</li> <li>▪ Applicants will have to provide annual declarations to the Central Bank on any assets that continue to be maintained outside The Bahamas.</li> <li>▪ Commercial banks and trust companies will provide periodic reporting to the Central Bank on any assets that are repatriated and retained inside The Bahamas.</li> </ul> |
| <p>iii. Residents are allowed to invest up to \$25,000 per family unit, once every 10 years at the official rate to purchase timeshare units abroad. Purchase of residential property outside The</p>  | <p>Upon Central Bank approval, residential or time share purchases may be made at the official rate, up to a limit of \$0.5 million. Payments in excess of this amount will require use of the investment currency market.</p>   | <ul style="list-style-type: none"> <li>▪ Prior Central Bank approval is still required for residential investments.</li> <li>▪ Commercial banks may fund timeshare payments upon current evidence of a contract.</li> </ul>   |

<sup>1</sup> Reporting requirements on foreign currency deposit accounts held by residents shall be in accordance with the frequency and established by the Central Bank for Monthly and Quarterly Report forms.



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| Bahamas, must be made through the investment currency market. Approval to invest in residential property is subject to the applicant establishing a direct nexus to the occupancy/use of the property, such as for a dependent who is enrolled in an educational institution abroad. |  | <ul style="list-style-type: none"> <li>▪ Upon disposal of the assets the proceeds must be repatriated to The Bahamas and converted into Bahamian dollars; any capital outflow initially funded through the ICM may be repatriated at the prevailing ICM bid rate.</li> </ul> |
| <b>4. Signatories on Deposit Accounts</b>  |  |  |
| <ul style="list-style-type: none"> <li>i. Resident signatories on foreign currency accounts maintained by businesses and other authorised entities require prior Central Bank approval.</li> </ul>   | Central Bank approval not required for account signatories. Approval, if required, will only be necessary only for the establishment and maintenance of deposit facility.                                | <ul style="list-style-type: none"> <li>▪ No Central Bank requirement, however commercial banks are expected to follow appropriate customer due diligence for account signatories in accordance with existing legal and regulatory requirements.</li> </ul>                   |
| <b>5. Renewal of Authorisation to Maintain Deposit Facility</b>  |  |  |
| <ul style="list-style-type: none"> <li>i. Resident entities must request annual approvals to open and maintain operating foreign currency accounts.</li> </ul>   | Once approved or established foreign currency accounts maintained by residents will remain authorised for as long as the account holder continues be a licensed and operating entity inside The Bahamas. | <ul style="list-style-type: none"> <li>▪ Commercial banks must ensure that account holders remain in good standing with local licensing requirements.</li> <li>▪ Commercial banks must report to the Central Bank regularly on particulars of account holders.</li> </ul>    |
| <b>6. Special Criterion Investments<sup>2</sup></b>  |  |  |
| <ul style="list-style-type: none"> <li>i. For direct (i.e. not portfolio) investments</li> </ul>   | No Change  | <ul style="list-style-type: none"> <li>▪ Application must be made to the Central Bank in writing, with the</li> </ul>  |

<sup>2</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>both in The Bahamas' offshore sector as well as abroad, Residents are permitted to purchase <b>up to \$2 million per person or entity via the official market (i.e. from ADs), with the prior approval of CBOB, subject to an overall limit of \$10 million per investor group, per transaction.</b> This facility may be accessed once every three (3) years.</p>   |   | <p>full particulars and documentation of the proposed investment.</p> <ul style="list-style-type: none"> <li>▪ Approvals granted by the Central Bank are used to purchase the required foreign currency from Authorised Dealers.</li> </ul>  |
| <p><b>7. Publicly Traded Foreign Securities Listed on BISX as BDRS</b></p>  |   |  |
| <p>i. On an annual basis, <b>up to 5% of the external reserves at previous year's end, but not to exceed \$35 million</b>, will be allocated for funding the structuring of Bahamas Depository Receipts (BDRs) products, at the official rate of exchange.</p> <p>ii. The operational framework established in 2006 continues to apply; offerings are subject to appropriate approvals from the Central Bank, the Securities Commission and BISX.</p> | <p>No Change</p>                                    | <ul style="list-style-type: none"> <li>▪ 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.</li> <li>▪ Offerings are subject to appropriate approvals from the Central Bank, the Securities Commission, and BISX.</li> <li>▪ A separate communication is to be issued on the operational framework.</li> </ul> |
| <p><b>8. Bahamian Dollar Credit Proceeds for Temporary Residents</b></p>  |   |  |
| <p>i. <b><u>Mortgage Loans:</u></b><br/>Temporary Residents, who have resided and worked in The Bahamas for at least</p>  | <p>Such persons may borrow up to \$1,000,000 in</p> | <ul style="list-style-type: none"> <li>▪ Applications shall be made through domestic lending</li> </ul>  |



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| <p>three (3) years, may borrow up to \$250,000 in Bahamian dollars, to finance <b>owner-occupied residential dwellings</b>. Where the residency requirement is not met, reference must be made to CBOB.</p> | <p>Bahamian dollars.</p> | <p>institution, on behalf of the mortgagor.</p> <p><b>Note:</b></p> <ul style="list-style-type: none"> <li>▪ <i>Borrowing for investment purposes, including purchase of vacant property, duplexes, and second homes, requires prior CBOB approval.</i></li> <li>▪ <i>Temporary residents should register their investment with the Central Bank, by providing a copy of the Investments Board Certificate of registration, recorded conveyance, a copy of the satisfaction of mortgage document, as soon as received.</i></li> </ul> |