



Press Release
on
Relaxation of Exchange Control Restrictions on Capital Account Transactions

In keeping with a commitment to review existing arrangements, towards achieving a gradual yet meaningful liberalization of Exchange Controls, the Central Bank wishes to inform the public of several further adjustments in the Exchange Control regime. These measures follow earlier adjustments introduced in May 1995 and September 2002, both of which provided for an increased delegation of authority to commercial banks over a broad range of current account transactions such as payments for imports, travel and services.

Unlike earlier initiatives, these new measures focus almost exclusively on the relaxation of certain capital account restrictions, with the specific objectives of providing enhanced opportunities for residents to participate in and finance investments overseas and at the same time address several of the recommendations in the Bahamas Stock Exchange Committee's Report to the Government on measures to deepen domestic capital markets.

Details of changes to the capital account regime are set out below.

1. Investment Currency Market Rate

Currently, residents purchasing securities or making real estate investments overseas must do so through the Investment Currency Market (ICM), at a premium bid and offer rate of 25% and 20%, respectively.

With immediate effect, these rates are reduced by half, to 12.5% and 10.0%, respectively. However, existing investors will be permitted, until **31st March 2006**, to liquidate, should they desire, their original capital investment, through the ICM, at the old offer rate.

2. Foreign Real Estate Time Share Purchases

With immediate effect, residents may invest up to \$25,000.00 per family unit, once every ten (10) years at the official rate, to purchase time share units abroad.

For this purpose, a family unit is defined as a marital unit or in the case of an individual investor, a person 18 years and over. The investment may take place in a single installment or over time.

The Bank anticipates that this measure will accommodate the growing interest of Bahamians in time share investments; codify certain observed practices, as regard financing of timeshares, and generally result in improved statistical information on these transactions.

3. Employee Stock Option/Share Purchase Plans (ESOP/ESPP):

An Employee Stock Option/Share Purchase Plan generally confers on an employee the right to acquire shares of the employer which are usually made available as a benefit of employment.

Presently, residents employed by offshore and foreign owned institutions in The Bahamas are permitted, in the case of contributory (“cash”) stock options, to invest up to \$10,000.00 per year, at the official rate of exchange, to purchase such options. With immediate effect, the investment limit is increased to \$25,000.00, with amounts in excess of \$25,000.00 per year, to be purchased at the Investment Currency Market (ICM) rate. This change will allow Bahamians to take further advantage of opportunities resulting from their employment, and to enjoy benefits equivalent to those available to their overseas counterparts.

4. Emigration

With immediate effect, the maximum amount which a person may transfer out of the country when emigrating, i.e., taking up permanent

residency abroad, is increased from the foreign currency equivalent of B\$125,000 to B\$250,000 per family unit, per annum, at the official rate.

The applicant must complete a set of Emigration Forms available at the Central Bank, supported by evidence of permanent residency abroad (e.g. resident alien card). Requests in excess of this annual limit will continue to be considered, on a case by case basis.

5. Measures Affecting Temporary Residents and Permanent Residents (with restricted right to work)

a) Credit Facilities For Temporary Resident (i.e. Holders of Work Permit, Contract Workers)

- **Consumer Loans:** Temporary residents are now permitted to borrow up to a maximum of B\$50,000.00 for consumer related purposes. This represents an increase from previous borrowing limits of B\$15,000.00 for the purchase of vehicles, and up to B\$6,000.00 for defraying local expenses. Applications to borrow for consumer related purposes may be made directly to local commercial banks.
- **Mortgage Loans:** Temporary residents who have resided and worked in The Bahamas for at least three years may obtain B\$ mortgage loans of up to \$200,000.00 to finance owner occupied dwellings. Previously, this group of individuals was permitted to borrow up to 50 percent of the mortgage amount in Bahamian dollars. As in the past, persons not satisfying the above residency requirement, or where the proposed transaction exceeds \$200,000.00, are required to fund the transaction entirely in foreign currency.

b) Temporary Residents and Permanent Residents (with restricted right to work)

Investments in Private and Public Sector Debt and Equity.

- These individuals and related investment vehicles (e.g. trusts or settlements) may now invest, within limits, in both private and public sector debt and equity instruments. All investments must be funded from Bahamian (B\$) earnings.
- For obligations of companies listed on BISX, investments may be up to an aggregate of 10% of the respective issue/offering, and for public sector securities, for which the Central Bank acts as registrar, up to an overall limit of \$100,000 per person/entity.
- Should there be a change in residency status to non-resident, such investors would be required to divest themselves of these holdings.
- For administrative purposes, access to the private capital markets by this group of individuals must occur through local brokerage accounts to allow monitoring and enforcement of limits.

6. Investments in Securities Publicly Traded on Foreign Exchanges and Listed on BISX as BDRs

Within prescribed limits and arrangements, resident investors, including individuals, pension funds and institutions, may invest in any company listed on a recognized stock exchange, by way of a representative Bahamian Dollar denominated securities listed on BISX (e.g. BDRs). BDRs are essentially instruments that allow Bahamians to buy in Bahamian dollars, stocks traded on overseas exchanges.

It is intended that these BDRs be structured and marketed by local broker/dealers and other securities industry professionals in good

standing with the Securities Commission. The purchase of the underlying securities will be financed at the official rate of exchange, for a total amount of up to 5% of the external reserve balance at previous years' end, but not to exceed \$25 million annually. Such offerings would be subject to final approvals from the Central Bank, the Securities Commission and BISX.

The Bank has held discussions with industry participants, the Securities Commission and BISX, and separate communication will soon be issued on the framework for these programmes.

b. Regional Cross Border Listings

i. Bahamian Companies

Within prescribed limits, equities of Bahamian Companies listed on BISX may now be cross listed on principal CARICOM exchanges (i.e. Barbados, Jamaica, ECU and Trinidad & Tobago). Specifically, sales to foreign entities may not exceed 10% of the total issued and outstanding voting share capital of a listed company—not to exceed \$20 million per annum. Access to this facility may also be subject to Government policy considerations.

ii. Foreign Companies

Foreign companies listed on principal CARICOM exchanges may list issued and outstanding equity securities on BISX. The at cost value of purchases by domestic entities may not, in the aggregate, exceed B\$5.0 million per quarter and a maximum of B\$20 million, per annum.

The Bank has held discussions with BISX, which is presently putting in place the operational mechanisms and policies to govern cross listing and trading, and expects to complete this process within the year.

7. National Insurance Board (NIB)

A maximum of \$25 million per annum will be made available for overseas investments by the NIB, at the official rate of exchange. This accommodation recognizes the desirability and need to provide diversification opportunities for NIB's investment requirements.

The modalities for the operation of this facility have already been structured and agreed by the Central Bank and the NIB.

8. Resident Designated Entities Investment in Private and Public Sector Securities

Financial institutions and other private enterprises designated resident for Exchange Control purposes, with no term restrictions on their operations in The Bahamas (e.g. temporary construction entities and consultancy firms would not qualify) may now invest, within specified limits, in debt and equity instruments of the private sector as well as public sector debt obligations.

In this regard, they are permitted to invest in equities of companies listed on BISX, up to a limit of ten percent (10%) of the issue/offering per investing entity and may invest in other private sector and public sector securities, without limit.

The Central Bank of The Bahamas
13 January, 2006