

NOTICE TO AUTHORIZED DEALERS

EXCHANGE CONTROL REGULATIONS ACT 1952

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.

DEALINGS IN FOREIGN CURRENCY

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

PART 1

INTRODUCTION

1. This Notice sets out the rules and conditions for dealing in foreign currencies, spot and forward.
2. This Notice does not apply to the following:
 - (a) Dealings in notes and coins – see Notice EC 3; and
 - (b) Dealings in Investment currency.
3. Reference in this Notice to “foreign currency” means the currency of any country outside the Commonwealth of The Bahamas.

PART II

RATES OF EXCHANGE AND TRANSACTIONS WITH THE CENTRAL BANK OF THE BAHAMAS

4. The Central Bank of The Bahamas shall continue to quote official rates of exchange on a daily basis for spot telegraphic transfers in United States dollars and Sterling and are prepared to deal at such rates with Authorized Dealers.

PART III

TRANSACTIONS WITH RESIDENTS OF THE BAHAMAS

Spot Purchases Of Foreign Currency By Authorized Dealers

5. Authorized Dealers may buy foreign currency spot from residents of the Bahamas against Bahamian dollars credited to a resident account. Authorized Dealers should not refuse to accept, at market rates, any offer of foreign currency by a resident of The Bahamas.

SPOT SALES OF FOREIGN CURRENCY BY AUTHORIZED DEALERS

6. Authorized Dealers may sell foreign currency spot to residents of The Bahamas against Bahamian dollars debited to a resident account, provided that permission for the payment has been given either generally or specifically by The Central Bank of The Bahamas. Where required, authorized Exchange Control forms must be held.

NOTE: Authorized Dealers may not sell foreign currency to residents of the Bahamas to be held on an account in cover of future requirements unless The Central Bank of the Bahamas has given permission either generally or specifically for the currency to be held.

7. In determining Bahamian dollar amounts due to/from residents of the Bahamas in respect of foreign currency purchases/sales by Authorized Dealers, the foreign currency amount should be converted to Bahamian dollars before deducting/adding amounts in respect of stamp tax and charges.

FORWARD PURCHASES AND SALES OF FOREIGN CURRENCY BY AUTHORIZED DEALERS

8. Authorized Dealers may enter into forward exchange contracts with residents of The Bahamas where the resident is due to receive or has to pay foreign currency under a firm contractual commitment in respect of:
 - (a) the purchase and sale of goods and/or
 - (b) freight charges on specific shipments of goods, provided, in both cases, that the transaction relates to a firm commercial contract expressed as payable in foreign currency,
 - (c) authorized payments due in a foreign currency within 6 months for the following purposes:
 - i. royalties; service charges; payments for copyright and performing rights,
 - ii. advertising expenditure,
 - iii. air and sea charter hire,
 - iv. any approved capital investment,
 - v. interest, dividends and redemption monies,
 - (d) excepted receipts of foreign currency in all cases where the Authorized Dealer is satisfied (when necessary by the submission of documentary evidence) that the currency is definitely accruing to the resident concerned within 6 months, provided, in the case of (c) and (d) above, that the contracts are for appropriate periods not exceeding 6 months.
9. An approved Exchange Control form must be held where required under any current instructions.
10. Forward contracts entered into under paragraph 8:
 - (a) Must be effected initially on an outright basis and not as swaps,
 - (b) In the case of trade between countries outside the Bahamas, must not exceed 6 months,

- (c) In the case of imports, must not extend more than 6 months beyond the expiry date of the authorization to purchase foreign currency,
 - (d) In the case of exports, may cover any necessary period provided that payment for the goods is to be received within 6 months of shipment or such longer period as may be exceptionally authorized.
11. Authorized Dealers may deal among themselves either spot or forward at market rates.

PART 1V

TRANSACTIONS WITH NON-RESIDENTS OF THE BAHAMAS

12. Authorized Dealers may buy/sell foreign currency spot or forward from/to non-residents of The Bahamas on the following basis:
- (a) Against Bahamian dollars credited/debited to an External Account; and
 - (b) Against any other foreign currency.

No Exchange Control form is required in respect of such transactions;

PART V

OPEN POSITION AND SPOT CURRENCY HELD AGAINST FORWARD COMMITMENTS

13. Authorized Dealers may carry out any of the operations described above provided that their open position (i.e. the difference between assets and liabilities in all foreign currencies) carried either spot or forward does not exceed the equivalent of B\$500,000, long or short. If it is desired to hold additional sums of currency spot against forward liabilities, reference must be made to The Central Bank of The Bahamas.