

## **11. FE Notice 11 – Foreign Currency Accounts and Kina Accounts of Residents and Non-residents**

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### **11.1 Introduction**

In respect of all Foreign Currency accounts held with Authorised Dealers by Residents of Papua New Guinea, all Kina and Foreign Currency accounts held with Authorized Dealers for Non-residents of Papua New Guinea, and all accounts held off-shore by Papua New Guinea Residents (the Relevant Accounts), the following provisions apply.

### **11.2 General Compliance Requirements for Resident and Non-Resident Accounts**

The opening and operation of Resident and Non-resident accounts covered by this FE Notice must comply with requirements of this Manual, Central Banking Regulation, Summary Foreign Exchange Guidelines, Balance Payments Reporting Framework, matters covered in FE Notice 22 and directions of FE Notice 23.

### **11.3 Compliance Requirements for Resident Foreign Currency Accounts covered by Project Agreements**

#### **(a) Offshore Foreign Currency Account**

- (i) Prior approval of the Bank of Papua New Guinea is required to open an account.
- (ii) The account must be used by the holder for the sole purpose of receiving export proceeds, funds from financing, transfers from its other approved accounts, refunds by the project operator of cash calls of project operations in Papua New Guinea, and proceeds from the sale of Papua New Guinea project assets.
- (iii) The account must be used by the holder for the sole purpose of paying its offshore liabilities.
- (iv) The account must not be used for any other purpose, including settlement to buy or sell Kina outside Papua New Guinea;
- (v) The account must be used receive funds and to make payments only directly connected with or related to that project in Papua New Guinea.
- (vi) The holder of the account must ensure that the use of the approved account complies with the conditions imposed on it by the Bank of Papua New Guinea.
- (vii) The transfer of an account in the name of an approved account holder to another with a different name is not permitted.

#### **(b) Onshore of Foreign Currency Account**

- (i) The account must be used for the sole purpose of receiving funds from its approved offshore account.

- (ii) The holder must use the account for the sole purpose of paying its onshore liabilities directly connected with or related to the project in Papua New Guinea.
- (iii) The account must not be used for any other purpose.
- (iv) The transfer of an account in the name of an approved account holder to another with a different name is not permitted.

#### **11.4 Compliance Requirements for Other Resident Foreign Currency Accounts**

##### **(a) Offshore Foreign Currency Account**

- (i) Prior approval of the Bank of Papua New Guinea is required to open an account.
- (ii) The account must be used by the holder for the sole purpose of receiving export proceeds, funds from financing, and transfers from its other approved accounts.
- (iii) The account must be used by the holder for the sole purpose of paying its offshore liabilities
- (iv) The account must not be used for any other purpose, including settlement to buy or sell Kina outside Papua New Guinea;
- (v) The holder of the account must ensure that the use of the approved account complies with the conditions imposed on it by the Bank of Papua New Guinea.
- (vi) The transfer of the account in the name of an approved account holder to another with a different name is not permitted.

##### **(b) Onshore of Foreign Currency Account**

- (i) The account must be used by the Resident for the sole purpose of receiving funds from its approved offshore account.
- (ii) The holder must use the account for the sole purpose of paying its liabilities in Papua New Guinea.
- (iii) The account must not be used for any other purpose.
- (iv) The transfer of the account in the name of an approved account holder to another with a different name is not permitted.

#### **11.5 Requirements for Applications by Resident Entities to Open Foreign Currency Accounts**

##### **(a) Offshore Foreign Currency Account**

- (i) The applicant must be exporting or intends to export physical goods from Papua New Guinea.
- (ii) The applicant must have or will procure significant and on-going contractual liabilities and payments to offshore suppliers of goods and services, and provide supporting documentation.

- (iii) The applicant must demonstrate that inflow or outflow of funds from Papua New Guinea will cause significant Kina exchange rate volatility.
  - (iv) The applicant must provide a detailed monthly cash flow for the ensuing twenty-four (24) months showing regular inflows and outflows of no less than K5 million (or its foreign currency equivalent) per calendar month.
  - (v) The above requirements are cumulative for the purpose of this FE Notice.
- (b) Offshore Foreign Currency Account - Construction Contractor under a Project Development Agreement
- (i) The applicant must be incorporated or registered with Investment Promotion Authority of Papua New Guinea, and provide supporting documentation.
  - (ii) The applicant must provide a written confirmation of engagement that it is contracted for the works specified for the project; and provide a detailed scope of works, duration of engagement, and supporting documentation for the works in Papua New Guinea.
  - (iii) The applicant must provide a written confirmation that it is engaged solely for the scope of works to be completed during the duration of its engagement.
  - (iv) The applicant must provide a written undertaking that the account will be closed at the end of the construction period or completion of project works.
- (c) Offshore Foreign Currency Account - Exploration under an Exploration License or a Project Development Agreement
- (i) The applicant must be incorporated or registered with Investment Promotion Authority of Papua New Guinea, and provide supporting documentation.
  - (ii) The applicant must provide a copy of the exploration license or permit issued by the government of Papua New Guinea.
  - (iii) The applicant must provide a confirmation letter that it will undertake or is contracted for the works specified for the project or exploration tenement; and provide a detailed scope of works, duration of engagement, and supporting documentation for the works in Papua New Guinea.
  - (iv) The applicant must provide a written confirmation of engagement that it is engaged solely for the scope of works to be completed, and it will close the account upon completion of the project or exploration works in Papua New Guinea.
  - (v) The applicant must provide a written undertaking that the account will be closed at the end of the construction period or completion of project or exploration works. The account must also be closed when the exploration license or permit expires, or is revoked by the government of Papua New Guinea.

- (d) Offshore Foreign Currency Account – Institutional Funds for Financial Assets Management
  - (i) The applicant must be incorporated or registered with Investment Promotion Authority of Papua New Guinea or is established by a government legislation, and provide supporting documentation.
  - (ii) The applicant must provide a copy of the license or permit issued by the government of Papua New Guinea or an authorised institution.
  - (iii) The applicant must provide a detailed monthly cash flow for the ensuing twenty-four (24) months showing regular inflows and outflows of no less than K5 million (or its Foreign Currency equivalent) per calendar month.
  - (iv) The applicant must provide a written undertaking that it will use the account for the sole purpose of receiving funds from financing, transfers from its other approved accounts, and funds from other sources, directly in connection with or associated with its investments and financial assets management.
  - (v) The applicant must provide a written undertaking that it will close the account if ceases to continue its operations in investments and financial assets management or its license or permit is revoked.
- (e) Onshore Foreign Currency Account
  - (i) The applicant must meet the requirements to open an offshore account set out in either (a), (b), (c) or (d) above.
  - (ii) The applicant will use the account for the sole purpose of receiving funds from its offshore account approved by the Bank of Papua New Guinea.
  - (iii) The applicant must use the account for the sole purpose of paying its contractual liabilities and payments in Papua New Guinea.
  - (iv) The applicant must satisfy any other requirements relevant to an Authorised Dealer.
  - (v) The applicant must provide a written undertaking that it will close the account, as appropriate.
  - (vi) The above requirements are cumulative for the purpose of opening an onshore Foreign Currency account.

#### **11.6 Requirements for Applications by Resident Individuals to Open Foreign Currency Accounts**

- (a) An individual who wishes to open and operate a Foreign Currency account within or outside Papua New Guinea must demonstrate that the Person has ongoing contractual liabilities and regular payments to overseas Non-residents.
- (b) Establishment of a joint-account is not permitted.
- (c) The Person must comply with the account reporting requirements.

**11.7 Designation of Onshore Kina or Foreign Currency Accounts by Authorised Dealer**

Authorised Dealers must designate separately Kina and Foreign Currency accounts in their books as Resident or Non-resident accounts.

**11.8 Transactions Passed through Non-resident Kina and Foreign Currency Accounts in Papua New Guinea**

- (a) Debits and Credits to Accounts of Diplomatic and Consular Representatives of Foreign Countries and United Nations

<b>Debits</b>	<b>Credits</b>
Payments to Residents of Papua New Guinea, such as current operational expenses.	Deposit from Residents of Papua New Guinea.
Payments to Non-Residents who are in Papua New Guinea or overseas.	Deposits arising from Foreign Currency Conversions.
Payments to the account holder whilst in Papua New Guinea.	Deposit of any surplus Papua New Guinea Currency acquired before leaving the country by the account holder.
The cost of buying any foreign currency.	Deposit from other Non-Residents who are in Papua New Guinea or overseas.
	Interest earned on the account balance.

- (b) Debits and Credits to Accounts of Foreign Employees of Diplomatic and Consular Representatives of Foreign Countries and United Nations

<b>Debits</b>	<b>Credits</b>
Payments to Residents of Papua New Guinea, such as current operational expenses.	Deposit from Residents of Papua New Guinea.
Payments to Non-Residents who are in Papua New Guinea or overseas.	Deposits arising from Foreign Currency Conversions.
Payments to the account holder whilst in Papua New Guinea.	Deposit of any surplus Papua New Guinea Currency acquired before leaving the country by the account holder.
The cost of buying any foreign currency.	Deposit from other Non-Residents who are in Papua New Guinea or overseas.
	Interest earned on the account balance.

- (c) Debits and Credits to Accounts of Other Non-Residents

<b>Debits</b>	<b>Credits</b>
Payments to Residents of Papua New Guinea, such as current operational expenses.	Deposit from Residents of Papua New Guinea.
Payments to Non-Residents who are in Papua New Guinea or overseas.	Deposits arising from Foreign Currency Conversions.
Payments to the account holder whilst in Papua New Guinea.	Deposit of any surplus Papua New Guinea Currency acquired before leaving the country by the account holder.
The cost of buying any foreign currency.	Deposit from other Non-Residents who are in Papua New Guinea or overseas.
	Interest earned on the account balance.

- (d) Debits and Credits to Kina Vostro Accounts of Foreign Banks and Financial Institutions

- (i) All Kina deposited into Vostro Accounts of foreign banks have to be from conversion of foreign currency into Kina through an Authorised

Dealer. The conversion of foreign currency deposits into Kina by Residents via those Vostro accounts has to be done through an Authorised Dealer.

- (ii) All Kina withdrawals from the Vostro Accounts are for payments to other Non-Residents and Residents in Papua New Guinea. These must be done through an Authorised Dealer.

#### **11.9 Reporting Requirements for Resident and Non-resident Accounts**

- (a) A Form-V1 must be completed and submitted to the Bank of Papua New Guinea through an Authorised Dealer at the time the account is opened, for Resident Foreign Currency account.
- (b) The Resident holder of a Foreign Currency account must provide a monthly Foreign Currency account report on Form-OS showing actual cash inflows and outflows of each account on the 15<sup>th</sup> day of the month following the end of the reporting calendar month.
- (c) The Resident holder of a Foreign Currency account must provide a quarterly forecast report on the 15<sup>th</sup> day of each calendar month for the ensuing three months, showing in detail the expected cash inflows and outflows of that account on Form-OS, including any other relevant information.
- (d) Authorised Dealers must report to the Bank of Papua New Guinea all Resident Foreign Currency account balances and Non-resident Kina and Foreign Currency account balances on the 15<sup>th</sup> day of the month following the end of the reporting calendar month.
- (e) An Authorised Dealer must report by account to the Bank of Papua New Guinea beginning and ending balances and a summary of all credits and all debits to Kina or Foreign Currency accounts of Non-residents held with the Dealer, on the 15<sup>th</sup> day of the month following the end of the reporting calendar month.
- (f) An Authorized Dealer must provide to the Bank of Papua New Guinea a daily report of transactions effected through the Foreign Currency accounts of Resident individuals on Form-OS(I).
- (g) Bank documentary evidence on the closure of a Resident offshore or onshore foreign currency account must be provided to the Bank of Papua New Guinea within one (1) month from the date of its closure.
- (h) Where necessary, the Bank of Papua New Guinea will request for additional information to review and ensure compliance.

Authorized Dealers should advise their customers that payments by Residents to Non-resident accounts must be in accordance with the Foreign Exchange Notices and reporting requirements.

#### **11.10 Delivery of Resident and Non-resident Account Reports to the Bank of Papua New Guinea**

- (a) An Authorised Dealer must submit its monthly Vostro Account reports to the Financial Markets Department of the Bank of Papua New Guinea.
- (b) An Authorised Dealer must submit its other monthly account reports to the Balance of Payments Unit, Economics Department of the Bank of Papua New Guinea.
- (c) Where required, a Resident must submit its Foreign Currency account report directly to the Balance of Payments Unit, Economics Department of the Bank of Papua New Guinea.

**11.11 Taxation Clearance Certificates**

Authorized Dealers may not transfer any funds out of Papua New Guinea, in Foreign Currency to Non-residents unless there is produced to the Authorized Dealer an original current taxation clearance certificate where required by law.

**11.12 Contracts between Residents denominated in Foreign Currency**

Authority of the Bank of Papua New Guinea is required for a Resident to enter into an agreement in writing which creates an obligation in favour of another Resident in a Foreign Currency. Obligations under such agreements must be settled in Kina.