



CENTRAL BANK OF SOLOMON ISLANDS

**EXCHANGE CONTROL
POLICIES**

Honiara

AUGUST 1996

INTRODUCTION

Exchange Control in Solomon Islands is administered by the Central Bank of Solomon Islands, on behalf of the Solomon Islands Government, in terms of the Exchange Control (Foreign Exchange) Regulations 1977 made under Section 3 of the Exchange Control Act 1976. This provides for the control of all financial transactions between residents of Solomon Islands and residents of other countries.

This brochure is intended to provide a summary of the Central Bank's current exchange control policies, although the right to change policies without notice is reserved. Further information or clarification on specific aspects of policies would be available from commercial banks or the Central Bank. Correspondence to the Central Bank on exchange control matters should be addressed to

The Chief Manager
International Department
Central Bank of Solomon Islands
P O Box 634
HONIARA
Solomon Islands

COMMERCIAL BANKS AS AUTHORISED DEALERS

To assist in the administration of Exchange Control, the Central Bank has appointed the commercial banks currently operating in Solomon Islands as "Authorised Dealers" in foreign exchange for the purposes of the Regulations.

Australia and New Zealand Banking Group Limited
Bank of South Pacific SI Limited
Pan Oceanic Bank

Applications for exchange control approval should normally be submitted to one of these banks who will assist with completion of any appropriate application forms and arrange for reference to the Central Bank where necessary. Banks as authorised dealers have delegated powers from the Central Bank to deal with the great majority of applications.

RESIDENTIAL STATUS

For exchange control purposes, the Central Bank distinguishes between

- resident and non-resident companies, partners and other businesses
- permanent resident, temporary resident and non-resident individuals

1. Companies, partners, firms etc.

Resident companies, firms etc are those which are incorporated in Solomon Islands or which are foreign companies operating in Solomon Islands on a branch basis. Similarly, partnership in which the partners are resident in Solomon Islands, or which operate in Solomon Islands on a branch basis, are also treated as residents.

Non-residents companies, firms etc are those which are not trading or operating in Solomon Islands.

2. Individuals

All persons residing in Solomon Islands will be regarded, for exchange control purposes, as permanent residents, unless they have been granted temporary residential status by an authorised dealer or the Central Bank. The residential status of the head of the family will in most cases determine the status of the spouse and children.

Temporary residents for exchange control purposes are those foreign citizens who are under contract to work and reside in Solomon Islands for a fixed term, and have no interest in any business venture in Solomon Islands. A person who wishes to be regarded as a temporary resident of Solomon Islands must submit an application to an authorised dealer on Exchange Control Form TR. No application is required by visitors who are in Solomon Islands on holidays or short business trips.

All other individuals are non-resident for exchange control purposes.

TRANSFERS BY COMPANIES, BUSINESS ETC.

1. Current payments

Foreign currency is readily made available for all types of current payments such as those for imports, services, management fees, commissions etc. provided they are supported by suitable documentary evidence that they are due and payable overseas. Applications must be submitted to authorised dealers on Exchange Control Form A1.

No restriction is currently placed on remittance of dividends, profits and other earnings (net of tax) due to non-residents. However, applications must be submitted to the Central Bank on Exchange Control Form A1 and must be supported by a copy of the company's dividend minute and latest audited financial accounts and balance sheet in the case of dividend payment, and latest audited financial accounts and balance sheet in the case of profit payment.

2. Inter-company current accounts

The operation and settlement of inter-company accounts requires exchange control approval, which may be given if in the view of the Central Bank circumstances warrant it. Applications must be submitted to the Central Bank in a letter form setting out the types of transactions (excluding capital transactions) which would be regularly passed through the inter-company account. Any approvals granted by the Central Bank in this regard would be conditional on the submission of regular statements (normally on quarterly basis) summarising transactions on the account. The Central Bank may call for suitable documentary evidence to substantiate any entry in the account.

Applications to remit funds overseas in reduction of inter-company account indebtedness should be submitted to the Central Bank on Exchange Control Form A1 and supported by the statement showing the current outstanding amount.

3. Capital Payments

All requests for approval of transactions involving capital payments are dealt with by the Central Bank. The major categories of transactions are:

- transfer overseas of sale proceeds of Solomon Islands assets
- loan repayments
- direct investment overseas

PAYMENT BY PERMANENT RESIDENT INDIVIDUALS

1. Current payment

Permanent residents of Solomon Islands are generally permitted to purchase foreign currency for all types of personal payments such as those for imports, sustenance, accommodation, travel etc., provided they are supported with suitable documentary evidence that they are due and payable overseas. Authorised dealers will be able to deal with most of these applications.

2. Portfolio investment overseas

Portfolio investment overseas by permanent residents of Solomon Islands is not permitted.

3. Other capital payments

All other applications by permanent residents of Solomon Islands to make capital payments overseas should be referred to the Central Bank with full supporting documents. In some instances, such as the purchase of shares in a company incorporated in Solomon Islands from a non-resident, the Central Bank may call for an explanation of how the value of the shares was arrived at. Where a resident is purchasing real estate in Solomon Islands from a non-resident, a copy of the purchasing

contract and valuation certificate should be produced to support the application for the remittance overseas of the purchase consideration.

PAYMENT BY TEMPORARY INDIVIDUALS

Residents of Solomon Islands who have been granted temporary residential status by authorised dealers or the Central Bank may remit overseas the surplus funds earned by them in or funds they brought to Solomon Islands, without any limitations.

Temporary residents require exchange control approval from the Central Bank to borrow funds in Solomon Islands for use outside Solomon Islands.

Temporary residents should note, that their residential status does not release them from their obligations to comply with all the provisions of the Regulations.

TRAVEL FUNDS

Exchange control approval is readily given for the purchase of any foreign currency by residents of Solomon Islands for genuine travelling purposes outside Solomon Islands. Funds obtained by travellers may not be used for any other purpose and any unutilised foreign currency must be sold to an authorised dealer on return to Solomon Islands.

Travellers may take with them Solomon Islands currency notes and coin up to a total value of \$250 without seeking exchange control approval from an authorised dealer or the Central Bank. It is not permitted to take notes and coin in excess of this amount.

Travellers who wish to take them any foreign currency more than the equivalent of SI\$250 in cash, should carry with them suitable document (eg. copy of Form A2 etc.) to show to Customs if it is called for, that the funds had been obtained from an authorised dealer for that journey.

Applications for travel funds must be completed on Exchange Control Form A2 and submitted to an authorised dealer. Such applications should be accompanied by valid passports and passage/flight tickets.

Overseas residents visiting Solomon Islands for periods up to six months are free to take out any foreign currency they brought in. They may not take out more than SI\$250 in notes and coins.

CREDIT CARDS

Residents of Solomon Islands may use their credit cards while travelling overseas for genuine travel expenditure (ie accommodation, meals, transport etc.) and small personal purchases. Subsequent reimbursement of credit card accounts will be allowed provided that the payment relates to travel expenditure and small personal purchases.

EMIGRATION

Permanent residents leaving Solomon Islands to take up permanent residence overseas are generally permitted to transfer overseas or carry with them part of all of their funds (net of tax) on departure.

Applications must be completed on Exchange Control Form A2 and submitted to an authorised dealer. Such applications should be accompanied with a statement indicating the remaining assets and approximate values. Documentary confirmation may be called for to substantiate large amounts which are to be transferred overseas.

Bank accounts maintained in Solomon Islands after departure will be re-designated "non-resident accounts". The crediting of such accounts by residents of Solomon Islands requires exchange control approval. Applications in this regard need to be completed on Exchange Control Form NR and submitted to an authorised dealer. The transfer overseas of any outstanding balances is generally permitted.

SALE OF SOLOMON ISLANDS ASSETS TO NON-RESIDENTS

Exchange control approval is required for companies incorporated in Solomon Islands to issue and register shares in the name of non-residents and to despatch the scrip from Solomon Islands. (Refer to section on Foreign Investment in Solomon Islands). Approval is also required for residents of Solomon Islands to dispose of property, goods, right to services etc. to non-residents.

Applications in this regard should be submitted to the Central Bank in a letter from giving full details of the transactions, and supported by copies of relevant documents including Foreign Investment Board's approval.

DESPATCH OF CHEQUES DRAWN ON SOLOMON ISLANDS BANK

It is not permitted to make a payment overseas by despatch of a cheque drawn on a bank in Solomon Islands.

DEALINGS IN FOREIGN SECURITIES

Exchange control approval is required for permanent residents of Solomon Islands to acquire dispose of or deal with "foreign securities" as defined in Regulation 2 (2). Foreign securities include deposits in overseas bank accounts and debts payable outside Solomon Islands. No restrictions will be imposed on dealing with, or disposal of, foreign securities acquired prior to 1 March 1977.

EXPORTS

The Central Bank's basic requirement is that full proceeds of goods exported are promptly received in Solomon Islands in an approved manner. To minimize formalities; the Central Bank has issued a General Authority for the export of goods from Solomon Islands. The essential conditions of this General Authority are that:

- Payment for goods exported is received within three months before and after the date of export.
- The export price is not less than price which might be reasonably expected in the open market conditions.
- The foreign currency proceeds are promptly sold to or credit with a bank in Solomon Islands.

Where exporters are not in a position to comply with the conditions of the General Authority, they should apply to the Central Bank for a specific Authority on Application Form EX1.

No authority is required for the export of certain excepted categories of goods. These include goods not exceeding in any one consignment a value of \$250, property of a foreign government, passengers' personal household effects up to a certain value etc.

Full details of export procedures, including the full text of the General Authority and a complete list of exceptions, are available from banks or the Central Bank.

FORWARD EXCHANGE COVER

Authorised dealers are allowed to enter into forward contracts with the public in any currency. The Central Bank will provide forward cover with Authorised Dealers in US dollars only.

All forward contracts must be for 'bona fide' trade or trade related operations and should not be undertaken with non-residents of Solomon Islands.

OVERSEAS BORROWING

Exchange control approval is required for a permanent resident of Solomon Islands (including a company incorporated in Solomon Islands and the Solomon Islands branch of an overseas incorporated company or firm) to:

- borrow funds (or a transaction having that effect) from a non-resident, including the branch's overseas head office.
- pay interest to the non-resident lender
- repay the loan to the non-resident lender

Applications in a letter form should be submitted to the Central Bank giving the following details:

- full name and address of an overseas lender
- amount and currency of the loan
- purpose of the loan
- interest rate
- term and repayment arrangement
- security to be given where required by an overseas lender

Some of the basic requirements when considering overseas borrowing by the Central Bank are:

- the overall cost payable to overseas lender (including interest, front-end fees, commissions, commitment fees etc) is not excessive in relation to currently prevailing interest rates and charges applying in the market in which the currency is to be borrowed.
- the debt/equity ratio of the borrower should not exceed prudent levels
- the foreign currency must, no draw-down be immediately transferred to any of the authorised dealers in Solomon Islands unless otherwise approved by the Central Bank to retain part or whole overseas.

FOREIGN INVESTMENT IN SOLOMON ISLANDS

Investment by non-residents in Solomon Islands either in a new business or in an existing enterprise requires prior approval of the Foreign Investment Board. This Board is based in the Office of the Prime Minister, P O Box G1 Honiara, Solomon Islands.

The approval granted by the Foreign Investment Board will be further subject to exchange control approval in respect of transactions which have exchange control implications such as:

- the issue or allotment of shares/securities to a non-resident
- the transfer of shares/securities from/to a non-resident
- the registration of shares/securities in the name of a non-resident in a register in Solomon Islands
- the despatch overseas of the share scrips
- borrowing from a non-resident
- payments arising from various Agreement eg. Management, Technical etc.

Applications in a letter form should be submitted to the Central Bank giving full details of the transactions including copy of Loan Agreement, Management or Technical Agreement etc. where applicable.

NON-RESIDENT ACCOUNTS

Exchange control approval is required for the crediting of accounts of non-residents, whether with a bank or in the books of an organisation or individual. This requirement covers.

- the inter-company accounts (including branch-head office accounts) where the creditor is a non-resident
- a permanent resident who acknowledges any debt in such a manner that a right to receive a payment (or any valuable consideration) is created in favour of a non-resident.

Funds credited to a non-resident bank account are freely remittable outside Solomon Islands.

FOREIGN CURRENCY ACCOUNT

The establishment of a foreign currency account by

- a permanent resident of Solomon Islands with a bank in or outside Solomon Islands, or
- a non-resident with a bank in Solomon Islands

is generally not permitted. The Central Bank may in exceptional cases grant approval for the establishment of a foreign currency account by a permanent resident of Solomon Islands with a bank overseas, if a need for this can be demonstrated to the satisfaction of the Central Bank.

EXCHANGE CONTROL FORMS

Exchange Control Forms referred to in this brochure are obtainable free of charge from either authorised dealers or Central Bank.

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