

EXCHANGE CONTROL UNIT
INFORMATION SHEET 2

**"OVERSEAS BORROWING /EXTERNAL
LOAN BY PRIVATE RESIDENT
COMPANIES & INDIVIDUALS"**

**All overseas borrowing/external loan ap-
plications seeking exchange control ap-
proval must be addressed to:**

**Manager
Exchange Control & Compliance
International Department
P.O. Box 634
Honiara**

*The Exchange Control procedure on external loan / overseas
borrowing facility is subject to change ,without prior notice.*



Central Bank of Solomon Islands

**MUD-ALLEY STREET
P . O . BOX 634
HONIARA**

**Phone: 677 21791/92
Fax: 677 23513
Web: www.cbsi.com.sb**



**Foreign Exchange
Department**

INFORMATION SHEET 2

**OVERSEAS BORROWING/
EXTERNAL LOAN BY
PRIVATE RESIDENT
COMPANIES &
INDIVIDUALS.**



EXCHANGE CONTROL UNIT

FOR FURTHER ENQUIRIES:

Please contact:
Exchange Control Unit.
PH: 21791 Ext 273.
Email:forex@cbsi.com.sb

OVERSEAS LOANS/OFFSHORE BORROWING BY PRIVATE RESIDENT COMPANIES AND INDIVIDUALS

1.0 Objectives:

- To ensure that all overseas borrowing by permanent residents or companies incorporated in Solomon Islands are registered at the Central Bank under the Commonwealth Secretariat-Debt Recording Management System, (CS-DRMS) and to assist in the management of foreign debt in Solomon islands.
- To assist permanent residents and private companies have access to overseas financing from a reputable and credible offshore financial institution that holds a proven international financial standing or rating of AA+ and above.
- To ensure that Central bank maintains a proper and reliable registry of external private debt, which will be used for reporting the country's external debt position.

2.0 Exchange Control Policy on Overseas Borrowings:

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), individuals 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.
- Any individual or company incorporated in Solomon Islands, seeking exchange control approval for an overseas loan or overseas borrowing should submit their application on **FORM EX-ECB**, which is available at the Exchange Control Unit of the Foreign Exchange Department of Central Bank.
- The following documents should be attached with **FORM EX-ECB**.
 - A covering letter of application seeking exchange control approval for overseas borrowing..
 - A copy of the offer letter from the overseas lender/Supplier furnishing complete details of the terms & conditions of the loan
 - Draft Copy of Loan Agreement, *(including inter-company loan agreement)*

- Copy of certified financial statement stating clearly the equity share of the company and the proposed debt amount.
- Any other relevant documents that exchange control may require.

3.0 The following considerations need to be satisfied for major offshore borrowings:

- The Lender possesses a proven credible record and international financial standing; (Rating AA+)
- Funds must be invested in approved projects that will benefit the country, especially as a source of foreign exchange earnings and employment creation;
- The borrowers ability to repay the loan;
- The project to be funded has been approved by the relevant authorities;
- The terms and conditions of the borrowing are reasonable to the Central Bank of Solomon Islands and finance being sought cannot be met from local sources.

4.0 Some of the basic requirements for assessment 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 applied in the market in which the currency is to be borrowed.
- The debt/equity ratio of the borrower **should not exceed prudent levels required by the Central Bank of SI..**
- The foreign currency must, on draw-down be immediately transferred to any of the authorized dealers in Solomon Islands, unless otherwise, approved by the Central Bank to retain part or whole with an overseas bank
- Offshore Borrowing is to finance productive investment projects or finance existing projects that will generate sufficient foreign reserves to service the loan.

5.0 Repayments Requirements of Offshore Loans/Overseas Borrowings.

- Repayments of the principal sum and interests, of all external loan (Private sector loans approved by Central Bank under Exchange Control Policy) should seek Exchange Control

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-approval before the actual transaction can take place with the authorized dealers. Applicants should completely fill in FORM A1, stating clearly the purpose of payment (Principal or interest repayments). **Applicants MUST also clearly state CBSI loan reference number (if borrowing is approved under Exchange Control Policy) along with other relevant supporting documents.** Interest re-payments are subject to withholding tax, thus, a tax clearance certificate or copy of tax receipt from the responsible authority (Commissioner of Income tax and Revenue Division) must be attached with the re-payment applications.
- For Small personal loans & private debt repayments to non-residents which were contracted before coming to the Solomon islands.
 - Small personal loans—provide an outline of the arrangement for repayment of principal and payment of interest as document of proof to exchange control
 - For private debt repayment—provide the full amount borrowed and the amount already repaid- the application is also to be supported by some written proof of debt.

Please Note:

- CBSI also accepts applications for External borrowing approval in a letter form, using official company letterhead. The following information must be attached with the letter:
 - Draft Loan Agreement with 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.