

## **UPDATE ON EXCHANGE CONTROL LIBERALIZATION**

The process of exchange control liberalization began in the mid-nineteen-nineties when commercial banks were granted delegated authority to approve payment for several trade transactions which hitherto required the prior approval of the Central Bank.

The pace of liberalization was accelerated over the last five years so as to enable Barbados to meet its obligation under the Caribbean Single Market and Economy (CSME). To date, the Central Bank has granted full authority to commercial banks in respect of **all current transactions with CARICOM, except** for a few transactions which it was considered prudent to continue to monitor. These transactions are as follows:

- Cash gifts in excess of BDS\$5,000 per annum.
- Merchandise imports in excess of BDS\$5,000 (without documentation).
- Payments relating to loans not previously approved by the Central Bank.
- Foreign currency accounts for resident individuals earning foreign exchange of less than BDS\$50,000 per annum.
- Foreign currency accounts for companies earning less than BDS\$100,000 per annum.

**(N.B: With effect from February 1, 2006, the limit for travel to CARICOM countries was removed. Full authority has been delegated to commercial banks).**

In respect of capital account transactions with CARICOM, the commercial banks have been granted full delegated authority to approve the following:

### **Listed Equities**

All equity investments in CARICOM have been liberalized. This applies to both listed and unlisted equities. Effective January 15, 2004 full authority was delegated to the Barbados Stock Exchange to approve investments in corporate securities in the form of equities cross-listed and cross-traded on the stock exchanges in CARICOM.

### **Unlisted Equities**

Effective June 1, 2004, full authority was also delegated to commercial banks to approve applications in respect of investment transactions in private unlisted equities in CARICOM countries, **excluding** those investee companies whose principal business activity is real estate.

### **Loans**

Effective September 1, 2005, the Central Bank delegated full authority to commercial banks to approve without reference to it applications from domestically-owned parent companies for permission to borrow funds from regional and/or foreign sources for the purpose of investing in the operations of their CARICOM subsidiaries, provided repayment (i.e. of principal and interest) is to be made from foreign exchange earnings outside of Barbados. Parent companies may use their local assets to guarantee such loans.

### **Legacies and Inheritances**

Effective June 2002, the Central Bank delegated full authority to commercial banks to approve without limit applications in respect of remittances to CARICOM countries relating to legacies and inheritances. Transactions must be supported by adequate documentation authenticating payment.

In addition to the foregoing transactions with CARICOM countries, full authority has been delegated to commercial banks within the last five (5) years to approve applications for foreign exchange in respect of the following transactions with countries outside of the CARICOM region:

- Education expenses.
- Entrance and subscription fees in respect of credit cards and travel cards.
- Medical Expenses.
- Advertising expenses by Barbadian firms and companies.
- Fees and charges in respect of the registration of trademarks, patents and designs.
- Commissions due by Barbadian firms and companies to their agents and representatives outside Barbados.
- Returns and refunds of deposits and reimbursement of overpaid accounts.

- Entrance and subscription fees due to clubs and societies outside Barbados.
- Subscriptions for magazines, periodicals, newspapers, books, etc. for personal use and not for resale.
- Insurance and freight payments relating to goods imported into Barbados.
- Cash currency swaps by in-port ships and cruise liners.

Applications to commercial banks for foreign exchange in respect of any of the abovementioned transactions must be supported by adequate documentation. Commercial banks may refer applications to the Central Bank for approval only in instances where there is reasonable doubt surrounding the nature of the transaction.

The following transactions still need the permission of the Central Bank prior to their execution.

- The purchase of real estate outside of Barbados by residents of Barbados.
- Sale of real estate in Barbados to non-residents.
- Borrowings outside of Barbados by residents of Barbados (Except for those parent companies borrowing on behalf of their subsidiaries and/or affiliates).
- Lending to non-residents by residents of Barbados.
- Direct investment into Barbados by residents of NON-CARICOM countries.

## **FOREIGN EXCHANGE TRANSACTIONS** **- CARICOM AND NON-CARICOM COUNTRIES**

Below are the lists of those transactions for which authority has been delegated to commercial banks to grant approval without reference to the Central Bank, with and without limits. All applications must be supported by adequate documentation.

Also attached is a list of those transactions with no delegated authority.

### **i. CARICOM Transactions without limits**

1. Private and/or business travel.
2. Education expenses.
3. Entrance and subscription fees in respect of credit cards and travel cards.
4. Payments for medical treatment overseas.
5. Advertising by Barbadian firms and companies.
6. Fees and charges in respect of the registration of trademarks, patents, and designs.
7. Commissions due by Barbadian firms and companies to their agents and representatives outside of Barbados.
8. Returns and refunds of deposits and reimbursement of overpaid accounts.
9. Repayment of amounts received in error.
10. Change in foreign currency to tourist.
11. Education and subscription fees due to clubs and societies outside of Barbados.
12. Subscriptions for magazines, periodicals, newspapers, books, etc, for personal use.
13. Payments in respect of personal loans, maintenance, and financial assistance.
14. Advance payments for imports into Barbados.

15. Management services to Barbadian residents by non-residents from CARICOM countries.
16. Cash currency swaps by in-port ships and cruiseliners.
17. Architectural fees.
18. Dividends, profits, and interest.
19. Rental income from real estate.
20. Purchase and/or sale of listed equities.
21. Purchase and/or sale of unlisted equities.
22. Loans and/or guarantees by Barbadian-owned parent companies to and/or on behalf of their subsidiaries and affiliates.
23. Legacies and inheritances.
24. Foreign currency accounts of non-residents (including Barbadians residing abroad and CARICOM nationals resident in Barbados for less than three (3) years).
25. Foreign currency accounts of non-nationals, with work permits, who are employed in the offshore sector and earn foreign exchange, directly or indirectly.
26. Transaction in interest-based securities, denominated in regional currencies.
27. All payments for imported goods (excluding petroleum products).

**ii. CARICOM Transactions with limits**

<b>NO.</b>	<b>TRANSACTION</b>	<b>LIMIT OF AUTHORITY</b>
1.	Cash Gifts	Up to BDS\$5,000 per annum.
2.	Undocumented Merchandise Imports.	Up to BDS\$5,000 per transaction.
3.	Foreign Currency Accounts of Barbadian residents and CARICOM nationals resident in Barbados for three or more years	BDS\$20,000, provided the individuals are earning foreign exchange of at least BDS\$50,000 per annum.
4.	Foreign Currency Accounts of companies (resident and non-resident) operating in Barbados	50% of foreign exchange earnings provided the company is earning at least BDS\$100,000 per annum in foreign exchange.
5.	Loan repayments by individuals (principal and interest)	BDS\$50,000 per annum
6.	Currency notes allowed to persons travelling from Barbados	BDS\$1,000 in foreign notes and \$500 in Barbados.

**iii. Non-CARICOM Transactions without limits**

1. Overseas Education expenses.
2. Entrance and subscription fees in respect of credit cards and travel cards.
3. Overseas medical expenses.
4. Advertising expenses.
5. Fees and charges in respect of the registration of trademarks, patents and designs.
6. Commissions payable to foreign agents/representatives outside of Barbados.
7. Returns and refunds of deposits and reimbursement of overpaid accounts.
8. Entrance and subscription fees due to clubs and societies outside of Barbados.
9. Subscriptions for magazines, periodicals, newspapers, books, etc for personal use.

10. Foreign currency accounts of non-residents (including Barbadians residing abroad and non-nationals resident in Barbados for less than three (3) years).
11. Foreign currency accounts of non-nationals, with work permits, who are employed in the offshore sector and earn foreign exchange, directly or indirectly.
12. All payments for imported goods (excluding petroleum products).
13. Repayment of amounts received in error.

**iv. Non-CARICOM Transactions with Limits**

NO.	TRANSACTION	LIMIT OF AUTHORITY
1.	Private Travel	BDS\$7,500 per person per calendar year.
2.	Business Travel	BDS\$750 per day up to a maximum of \$50,000 per person per calendar year.
3.	Cash Gifts	BDS\$5,000 per donor per annum.
4.	Loan repayments by individuals (principal and interest)	Up to BDS\$50,000 per annum.
5.	Legal fees and charges	BDS\$100,000 per non-resident beneficiary.
6.	Film processing	BDS\$100,000 per non-resident beneficiary.
7.	Architectural Fees	BDS\$100,000 per non-resident beneficiary.
8.	Dividends, profits and interest	BDS\$250,000 per non-resident beneficiary.
9.	Rentals from real estate	BDS\$250,00 per non-resident beneficiary
10.	Advanced payments (Prepayments) for imports	BDS\$250,000 per non-resident beneficiary.
11.	Currency notes allowed to persons travelling from Barbados	BDS\$1,000 in foreign notes and BDS\$500 in Barbados notes
12.	Alimony and other maintenance payments under Order of Court	BDS\$50,000 per non-resident beneficiary.
13.	Management Fees	BDS\$250,000 per non-resident beneficiary.
14.	Royalties	BDS\$250,000 per non-resident beneficiary.
15.	Emigration	BDS\$100,000 per family per annum

NO.	TRANSACTION	LIMIT OF AUTHORITY
16.	Legacies and Inheritances	BDS\$100,000 per non-resident beneficiary per annum.
17.	Borrowing outside of Barbados	Domestically-owned parent companies may borrow up to US\$3.0 million from foreign sources for the purpose of investing in the operations of their subsidiaries and/or affiliates outside of CARICOM.
18.	Guarantees	Domestically-owned parent companies may issue guarantees up to a cumulative limit of US\$10.0 million in respect of loans entered into by subsidiaries and affiliates abroad.
19.	Foreign Currency Accounts	Returning Barbadian nationals may hold foreign currency accounts up to BDS\$100,000 provided such accounts are funded by foreign exchange earnings from abroad.

**v. Transactions with no delegated authority (CARICOM and Non-CARICOM)**

1. Purchase of real estate outside of Barbados by residents of Barbados.
2. Sale of real estate in Barbados to non-residents.
3. Borrowing outside of Barbados by residents of Barbados (Domestically-owned parent companies excluded).
4. Lending to non-residents by residents of Barbados.
5. Investment outside of CARICOM countries in securities listed and unlisted, by residents of Barbados.
6. Direct investment in Barbados by residents of non-CARICOM countries.