

9 October 2014

Press Release
Reserve Bank Clarifies Exchange Control Policy

The Foreign Exchange Control (Amendment) Regulations 2000 assigns the authority to the Reserve Bank over sending money and securities out of Tonga.

The Reserve Bank has issued the Exchange Control Policy Guideline which outlines the documentary requirements for each type of foreign exchange payment. Banks and authorized restricted foreign exchange dealers are required to sight supporting documents for all foreign exchange outward payments.

Banks and authorized foreign exchange dealers have been delegated the authority to approve current payments of amounts up to T\$100,000 per transaction except for gift payments which are limited for amounts up to T\$10,000 per applicant per annum and travel allowance payments which are limited for amounts up to T\$20,000 per application. All current payments above these amounts and all capital payments require the prior approval of the Reserve Bank. The banks and authorized foreign exchange dealers have also been delegated the authority to approve the current payments of amounts up to T\$5,000 per month for any transaction without supporting documents. This means anyone can remit funds out of Tonga subject to compliance with the Exchange Control requirements.

Under payment type number 8 of the Exchange Control Policy Guideline, the Reserve Bank allows every person to transfer funds overseas as gifts for personal reasons with no documentary requirements for amounts up to T\$10,000 per applicant per beneficiary per annum. If this delegated limit is reached, then remitters must submit the relevant supporting documents for the underlying payment. All funds brought from abroad will be allowed to be remitted out subject to the submission of bank confirmation of receipt of funds in Tonga.

The Reserve Bank continues to monitor closely the gift payments to ensure compliance with the delegated limit. In addition, the Exchange Control Policy Guideline continues to be reviewed in light of developments in the financial system to ensure funds that are remitted overseas are genuine and for its intended purpose. The Exchange Control requirements also assist the Reserve Bank in managing the foreign reserves levels to ensure they are at adequate levels. As at the end of August 2014, the foreign reserves stood at T\$283.9 million which is equivalent to 9 months of import cover. The foreign reserves are well in excess of the Reserve Bank benchmark of 3 months of imports.

Copies of the Exchange Control Policy Guidelines are available on the Reserve Bank's website (www.reservebank.to)

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