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National Reserve Bank of Tonga Announces Changes to Exchange Control Policy Guidelines

The Reserve Bank has revised its Exchange Control Policy Guidelines with effect from 1st July 2016. The Exchange Control Policy Guidelines outlines different types of payments, the supporting documentary evidence that must be sighted by the commercial banks, authorized foreign exchange dealers and the Reserve Bank prior to allowing any overseas payments to be made and the delegated limit for banks and authorized foreign exchange dealers to conduct outward payments.

The Governor Dr Sione Ngongo Kioa announced that the Reserve Bank has completed its annual review of the Exchange Control Policy Guidelines which was approved by the Reserve Bank's Board of Directors on 31st May 2016. The revisions were based on consultations with the Ministry of Revenue and Customs, banks and authorised foreign exchange dealers and other members of the public.

The changes to the Exchange Control Policy Guidelines are to reflect the current practice, update the tax clearance requirements from the Ministry of Revenue and Customs, ensure compliance with the anti-money laundering and terrorist financing requirements, and improve the clarity of the requirements as a result of the consultation with banks and foreign exchange dealers.

The major changes include the following:

1. increasing of the delegated limit for **gift payments** from T\$10,000 per applicant per beneficiary per annum with no supporting documents to T\$50,000 per applicant per beneficiary per annum with a maximum of T\$5,000 per month with no supporting documents,
2. removal of the "Maintenance" payment type and the delegated limit of T\$5,000 per month without supporting documents from all types of payments
3. addition of a delegated limit of T\$500,000 for the total amount of advanced import payments per applicant, with custom import entry document that has yet to be supplied to the bank / foreign exchange dealer, at any one time
4. addition of a new type of payment, loans to resident businesses that are controlled by non-residents, to implement the requirement of Regulation 5A of the Foreign Exchange Control (Amendment) Regulations 2000 that requires the NRBT's prior approval for all loans exceeding T\$50,000 to resident body corporates who are controlled by non-residents
5. Change Deposits into Expatriates' Foreign Currency Accounts held in Tonga & overseas Bank Accounts overseas accounts sourced from Others to source from Donations / contribution by non-profit organisations.
6. Addition of tax clearance requirements to Deposits into Expatriates' Foreign Currency Accounts held in Tonga & overseas Bank Accounts overseas accounts sourced from Retirement Fund Proceeds, loan pre-payment, and loans to resident businesses that are controlled by non-residents

The Reserve Bank will continue to review the Exchange Control Policy Guidelines to reflect new developments in the financial system to ensure funds that are remitted overseas for its intended purpose.

Copies of the Revised Exchange Control Policy Guidelines are available on the Reserve Bank's website "<http://www.reservebank.to>" and the reception desk of the Reserve Bank.

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