

**THE KINGDOM OF BHUTAN**  
**FOREIGN EXCHANGE REGULATIONS, 2013**

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## **THE FOREIGN EXCHANGE REGULATIONS, 2013**

In exercise of the powers conferred by Section 117 of the Royal Monetary Authority Act of Bhutan 2010, the Board of Directors of the Royal Monetary Authority of Bhutan hereby adopt these Regulations during its 87<sup>th</sup> Board meeting held on March 30, 2013 for the effective management of the foreign exchange reserves in accordance with the provisions of the RMA Act.

### **CHAPTER I: PRELIMINARY**

#### **1. Short title, extent and commencement**

These Regulations shall:

- (a) be cited as the Foreign Exchange Regulations 2013;
- (b) extend to the whole of the Kingdom of Bhutan; and
- (c) come into force with effect from 1<sup>st</sup> June 2013.

#### **2. Repeal**

On the coming into force of these Regulations the Foreign Exchange Regulations 1997 and the Import and Export of Currency Regulations 2003 shall be repealed.

#### **3. Supersession**

These Regulations shall supersede the provisions of any Rules, Regulations, Circulars, Guidelines or Notifications that are inconsistent with these Regulations.

#### **4. Interpretation**

The power to interpret these Regulations shall vest with the RMA which may issue such instructions and clarifications as may be necessary to give effect and implement the provisions of these Regulations.

### **CHAPTER II: IMPORT AND EXPORT OF CURRENCY, GOLD, AND SILVER**

#### **5. Import and Export of Bhutanese Currency**

- (a) An individual may bring into Bhutan on arrival from abroad, or take out of Bhutan banknotes, coins, and other instruments denominated in Ngultrum up to an aggregate value not exceeding Ngultrum 5,000 per instance.
- (b) If the total value of banknotes, coins, and other instruments denominated in Bhutanese currency that is brought into or taken out of Bhutan exceeds Ngultrum 5,000, the

individual shall declare the total value and source of such Ngultrum to Customs at the time of arrival or departure.

## **6. Import and Export of Foreign Currency**

- (a) A person who is bringing into or taking out of Bhutan foreign currency worth USD 10,000 or more shall declare the value in the prescribed form at the customs point of arrival or departure. ;
- (b) A person who is bringing into or taking out of Bhutan to any country other than India or Nepal, Indian currency exceeding Indian Rupees 10,000 shall declare the value in the prescribed form at the customs point of arrival or departure.
- (c) A person who is a resident of Bhutan may take out of Bhutan on his/her departure from Bhutan
  - (i) cheques drawn on a foreign currency account maintained with an authorized bank in Bhutan; and
  - (ii) banknotes, travellers cheques or other instruments denominated in foreign currencies that have been acquired or that is held in accordance with these Regulations.
- (d) Any individual who is not a resident or a citizen of Bhutan on his/her departure from Bhutan may take out convertible currency
  - (i) the amount of convertible currency originally converted into Ngultrum by reconverting such Ngultrum into convertible currency at an authorized bank; or
  - (ii) the balance of convertible currencies brought into Bhutan by the individual.
- (e) Any other import and export of foreign currency not expressly permitted above may be done with prior approval of the RMA.

## **7. Import or Export of Non-Convertible Foreign Currencies**

No person, including authorized banks and authorized money changers shall deal in foreign currencies other than those determined by the RMA from time to time.

## **8. Import and Export of Gold and Silver**

The import or export of gold or silver in the form of coins, bars or bullion, beyond the duty free limit prescribed by the Ministry of Finance shall require the prior approval of the RMA.

### **CHAPTER III A: AUTHORIZATION TO DEAL IN FOREIGN EXCHANGE**

No person, except for authorised banks and authorized money changers as provided under these Regulations, shall deal in or transfer any foreign currencies to any person who is not an authorised person.

### **CHAPTER III B: FOREIGN EXCHANGE TRANSACTIONS, EXCHANGE RATES, AND FOREIGN EXCHANGE HOLDINGS OF AUTHORIZED BANKS**

#### **9. Authorized Banks**

Authorised banks licensed by the RMA shall deal in foreign exchange in accordance with the provisions under Section 10 of these Regulations.

#### **10. Foreign Exchange Transactions by Authorized Banks**

Subject to these Regulations, authorized banks shall:

- (i) buy or sell convertible currencies and permitted foreign currencies;
- (ii) accept initial deposits of convertible currencies (up to USD 100 equivalent) and permitted foreign currencies (up to INR 5000 equivalent) to open foreign currency accounts in Bhutan;
- (iii) make deposits of convertible currencies in bank accounts with other authorised banks in Bhutan;
- (iv) make payments and transfers of convertible and permitted foreign currencies on its own behalf or on behalf of other persons;
- (v) receive inward remittances of convertible and permitted foreign currencies and permitted foreign currency on its own behalf or on behalf of other persons;
- (vi) hold balances of convertible currencies and permitted foreign currency subject to such limits as may be prescribed by the RMA from time to time;
- (vii) with the prior approval from the RMA open and maintain foreign currency accounts abroad with their correspondent banks or in Bhutan, banks; and
- (viii) engage in such other foreign exchange transactions as may be permitted by the RMA from time to time.

#### **11. Buying and Selling Exchange Rates**

- (a) The RMA shall determine the buying and selling rates for the Bhutanese Ngultrum against convertible currencies that apply to bills of exchange, telegraphic transfers, travellers' cheques, banknotes and such other transactions. The RMA's determination shall be based on prevailing international market rates, taking into account the normal commercial costs and risks of exchange transactions;
- (b) The RMA shall convey the rates for the next business day to the authorized banks by 4.00 p.m. every day. Authorized banks shall apply the buying and selling exchange rates so

communicated by the RMA to the foreign exchange transactions of that particular day; and

- (c) Unless otherwise specified by the RMA, the exchange rates on a day which is not a business day shall be the applicable on the last preceding business day.

## **12. Foreign Currency Holdings of Authorized Banks**

- (a) The RMA may prescribe limits on foreign currency holdings of authorized banks, which may be currency or entity-specific;
- (b) Investments in fixed deposits and any other instruments abroad and its duration may be prescribed by the RMA; and
- (c) In the event that the RMA determines that the balance of payments situation so necessitates, it may require the authorized banks to withdraw specified foreign currency deposits, irrespective of their maturity, and transfer the proceeds to the RMA.

## **13. Records and Reporting**

Every authorized bank is required to record and report all its foreign exchange transactions and operations including payments, receipts, settlements, holdings and positions, in accordance with the provisions of Chapter IX of these Regulations.

## **CHAPTER III C: FOREIGN EXCHANGE TRANSACTIONS, EXCHANGE RATES, AND FOREIGN EXCHANGE HOLDINGS OF AUTHORIZED MONEY CHANGERS**

### **14. Foreign Exchange Licenses of Authorized Money Changers**

- (a) Any individual or a business entity other than a bank may apply for a license to operate as an authorized money changer provided that the individual/entity:
  - (i) has a registered place of business in Bhutan;
  - (ii) has been certified by the Tourism Council of Bhutan as a tourist grade hotel or guest house; and
  - (iii) hold a valid business license issued by the Ministry of Economic Affairs.
- (b) An authorized money changer license is specific to each place of business for which it is granted and is not transferable without the prior permission of the RMA;
- (c) A copy of the license must be publicly displayed at the place of business for which it was granted.
- (d) When applying for an authorized money changer license each applicant shall submit the required documents to the RMA.

## **15. Foreign Exchange Transactions by Authorized Money Changers**

An authorized money changer shall:

- (a) Buy from individuals banknotes and travellers' cheques denominated in convertible currencies against Ngultrum; or
- (b) Sell to an authorized bank, holdings of banknotes and travellers' cheques denominated in convertible currencies against Ngultrum.

## **16. Buying and Selling Rates**

An authorized money changer shall:

- (a) Obtain from the RMA or an authorized bank the daily exchange rates determined by RMA;
- (b) Conduct only the permitted foreign exchange transactions at the prescribed exchange rates;
- (c) Clearly display the prevailing exchange rates for convertible currency banknotes and travellers' cheques
- (d) Unless otherwise specified by the RMA, the applicable exchange rates on a day other than a business day shall be the rates applicable on the last business day prior to that day.
- (e) Exchange commission applicable on the exchange transactions by an authorised money changers shall be determined by the RMA from time to time

## **17. Foreign Currency Holdings of Authorized Money Changers**

Unless otherwise specified by the RMA, every authorised money changer shall sell all of its foreign currency balances to one of the authorised banks within five working days.

## **18. Documents and Reporting**

Authorized money changers shall document and report foreign exchange transactions in accordance with the provisions of Chapter IX of these Regulations.

## CHAPTER IV: INTERNATIONAL MONEY TRANSFER SERVICES

### 19. International Money Transfer and Money Order

An authorized person shall:

- (a) Provide money order and international money transfer services subject to the provisions of these Regulations; and
- (b) Maintain domestic currency accounts and foreign currency accounts with authorized banks for inward and outward remittances in connection with such services. Such accounts shall be kept distinct from other bank accounts operated by authorized person.

### 20. Inward Remittances

- (a) Inward remittances by means of money order and other acceptable international money transfer instruments must be received in convertible and permitted foreign currencies through an authorized bank;
- (b) Banks and other authorized fund transfer agents must credit the proceeds of any inward remittances in convertible currencies to the specified beneficiary's account at the applicable exchange rate on the day on which the remittance is received;
- (c) The proceeds of inward remittances must be paid to the beneficiary in Ngultrum after deducting applicable commissions and charges thereon; and
- (d) Inward remittances exceeding US Dollar 3,000 or its equivalent in other convertible currencies shall be reported to the Financial Intelligence Unit of the RMA by the authorised person, along with the identity of the beneficiary and purpose of the remittance.

### 21. Outward Remittances

Provided that the prior approval of the RMA has been granted, authorised banks and money transfer agents may, on behalf of their clients, make outward remittances in convertible or permitted foreign currencies as follows:

- (a) The person making the remittance is a citizen/resident of Bhutan, authorised person shall, upon receipt of Bhutanese Ngultrum equivalent to the amount to be sent in convertible and permitted foreign currencies, remit through normal banking channels to international money transfer agents for onward transfer to the beneficiary;
- (b) Where the person making the remittance is not a citizen/resident of Bhutan, authorised person shall, upon receipt of convertible currency, remit the same through normal

banking channels to international money transfer agents for onward transfer to the beneficiary.

## **22. Outward Remittances by Money Order**

The Bhutan Postal Corporation may on behalf of its clients, make remittances in Indian Rupees by means of Money Order, and settle such amounts in Indian Rupees, in accordance with its arrangements with the Indian Postal Service.

## **23. Documents and Reporting**

Every person who is authorized by the RMA to deal in foreign exchange shall document and report to the RMA all its foreign exchange transactions in accordance with the provisions of Chapter IX of these Regulations.

# **CHAPTER V: PAYMENT ARRANGEMENTS**

## **24. Payments and Transfers**

- (a) All payments, receipts and transfers for trade in goods and services to and from India shall be made in Indian Rupees unless otherwise specified by the RMA;
- (b) All payments and transfers within Bhutan shall be made in Ngultrum;
- (c) All payments, receipts, and transfers for trade in goods and services to or from Nepal shall be made in a permitted foreign currency or convertible currencies;
- (d) All payments, receipts, and transfers for trade in goods and services to other third countries shall be made in convertible currencies only;
- (e) Payments and transfers of convertible and permitted foreign currencies are not permitted for prohibited transactions with any country; and
- (f) Payments and transfers in convertible and permitted foreign currencies for current transactions that are not explicitly provided for and in excess of any limits prescribed in these Regulations shall not be made except with the prior approval of the RMA.

## **25. International Credit and Debit Cards**

- (a) Authorized banks may independently or in association with credit and debit card companies, international banks or financial institutions abroad, issue international credit or debit cards to:
  - (i) citizens and residents of Bhutan; and
  - (ii) legal entities incorporated or registered in Bhutan, for use by their offices and employees.



- (b) The RMA shall set the credit or spending limits that will apply to any international credit or debit card issued;
- (c) Any amount owed on international credit or debit cards must be settled in full in Bhutanese Ngultrum except for those international credit cards or debit cards issued against foreign currency accounts which shall be settled by debit to the respective foreign currency account maintained with the issuing authorized bank;
- (d) Authorized banks issuing international credit or debit cards may settle any outstanding balances with their international counterparties in convertible currencies through normal banking channels.

## **26. Documents and Reporting**

Authorised persons shall document and report foreign exchange transactions in accordance with the provisions of Chapter IX of these Regulations.

## **CHAPTER VI: CURRENT TRANSACTIONS**

### **27. Current Transactions with India**

- (a) Payments, receipts, and transfers for current transactions with residents/citizens of India may be made and received freely through normal banking channels unless otherwise specified by the RMA;
- (b) Receipts on current transactions with India must be received in Indian Rupees through normal banking channels within 91 days from the date of export of the goods or services;
- (c) Letters of credit for import payments and transfers issued by authorized banks shall be in accordance with normal banking procedures;
- (d) Authorized banks may execute advance payments for import of goods or services from India, where the contracting of such advance payments is permissible;
- (e) Bhutanese citizen or residents travelling to India for any purpose (official, private, business, medical, education etc may apply to the authorized banks to obtain Indian rupees as per the limits prescribed by the RMA from time to time;
- (f) Bhutanese citizens/residents importing goods from India may remit payment against Freight/Transport Insurance in Indian Rupee through normal banking channels;
- (g) Indian nationals who are resident in Bhutan and have valid work permits and or business license may remit their remunerations to India in Indian Rupees through normal banking channel as per the limit prescribed by the RMA from time to time.

## **28. Current Transactions with Third Countries**

- (a) Subject to such limitations as may be imposed by the RMA from time to time, persons who have been granted an import license by the Royal Government may remit convertible currency through normal banking channel;
- (b) Bhutanese persons importing goods from third countries may apply to the authorised banks to remit convertible currency by filling in the forms provided by the banks accompanied by the “Exchange Control Copy” of the Import License and the supplier’s invoice or other documentary evidence showing the c.i.f. value of the goods to be imported;
- (c) Unless otherwise permitted by the RMA, payments and transfers of convertible currency for imports shall be made only through authorized banks by:
  - (i) letters of credit issued in accordance with normal banking procedures; or
  - (ii) any other banking instruments approved by the RMA such as Electronic Fund transfer, RTGS, Telephonic Transfer etc;

## **29. Import of goods under special policies**

- (a) Industrial Projects which require convertible currency to pay for import of permissible raw materials as specified in the Fiscal Incentives 2010 and amendments thereto shall be allowed to use its foreign currency earnings from:
  - (i) direct export of its finished products; or
  - (ii) the export of other products of Bhutanese origin.
- (b) Industries paying applicable import duty shall be provided with the foreign currency requirement in accordance with the provisions under Fiscal Incentives 2010 and amendments thereto.

## **30. Advance Payments**

- (a) Authorized banks may remit advance payments for import of goods or services from third countries, where the contracting of such advance payment is permissible;
- (b) All such advance payments shall be subject to the following conditions:
  - (i) the importer provides the authorized bank with documentary evidence such as a signed contract with the supplier showing the cost of the goods or services and the terms requiring advance payment;
  - (ii) the advance payment shall be made directly to the supplier or other payee under the contract through normal banking channels; and
  - (iii) the importer undertakes to furnish the authorized bank with the Customs Bill of Entry of the goods showing entry of the goods in Bhutan or performance of the services.

### **31. Payments and Transfers related to Foreign Direct Investment and External Debt**

Notwithstanding the provisions on import payments contained in the Foreign Direct Investment Policy 2010, Bhutanese companies which have foreign shareholdings shall be entitled to remit convertible or permitted foreign currencies through normal banking channel as follows:

- (a) Balances of convertible or permitted foreign currencies brought in by the foreign shareholders to pay for initial and subsequent imports of capital goods, intermediate goods and raw materials;
- (b) Payment of interest, fees, charges and amortization on convertible currency/permitted foreign currency loans in accordance with the terms of the loan as approved by the Royal Government of Bhutan;
- (c) Royalties, technical service or management fees in accordance with the respective agreements for such payments as approved by the Royal Government of Bhutan;
- (d) Dividends payable that are balanced by net earnings in convertible and permitted foreign currency receipts from the business; and
- (e) For service activities in the priority list, purchase of convertible and permitted foreign currency for repatriation of dividend may be made in accordance with the provisions of the FDI Policy 2010.

### **32. Freight and Transportation Cost:**

- (a) Importers holding valid import licenses may remit convertible currency to pay for actual freight and transportation costs incurred in connection with such imports through normal banking channel.
- (b) Exporters may remit convertible currency to pay for actual freight and transportation costs incurred in connection with their exports through normal banking channels.
- (c) Any other payments for purpose not included in subsections (a) and (b) above may be made through normal banking channel against supporting documentation.

### **33. Air Tickets and Allowances for Travel**

Bhutanese citizens and residents purchasing air tickets in Bhutan shall pay for such transaction in Ngultrum.

### **34. Official Travel**

- (a) Travel by officials or members of official delegations of the Royal Government including its ministries, departments, and agencies which is financed by the Royal Government, external donors or sponsors, or out of the funds of externally financed projects, shall be regarded as official travel for purposes of these Regulations;
- (b) Authorized banks may provide convertible currency for costs associated with official travel, including for tickets, per diems, and living expenses, against a letter signed by an authorized signatory of the concerned ministry, department or agency of the Royal Government indicating the:
  - (i) names and designations of the travellers;
  - (ii) purpose and duration of travel;
  - (iii) countries to be visited; and
  - (iv) foreign currency to be provided.
- (c) Payment in Ngultrum for purchase of the approved foreign currency for official travel may be made by debiting the account of the concerned ministry, department or agency or by way of a cheque drawn on such account.

### **35. Business Travel**

Bhutanese citizens carrying on registered business activities in Bhutan or employed by a Bhutanese firm, company or organization, for purposes associated primarily with the business such as export promotion, market studies, attending seminars, conferences, trade fairs, or exhibitions or for selection or import of capital goods, machinery and raw materials, etc and that is not official travel, may apply to the authorised banks to obtain convertible currency as per the limit prescribed by the RMA.

### **36. Medical-related Travel**

- (a) Medical- related travel shall mean travel outside Bhutan by a citizen of Bhutan for purposes of medical treatment or examination, accompanied by one able escort, if necessary, on the recommendation of a medical specialist;
- (b) Citizens may apply to the authorised banks to buy convertible currency required for initial costs connected with medical-related travel, equivalent to annual travel scheme as per the limit prescribed by the RMA;
- (c) For payment of any other additional costs connected with medical-related travel, associated living expenses or the cost of treatment, including medicines, the citizen/resident shall apply to the authorised bank with documentation evidencing the additional costs incurred, e.g., by submitting copies of hospital bills, either while abroad or within one month of return; and
- (d) Authorized banks may sell the convertible currency up to the additional amount approved, and remit directly to medical service providers abroad through normal banking channels.

### **37. Education-related Travel**

- (a) Education-related travel shall be understood to mean travel outside Bhutan by a citizen for the purpose of undertaking or resuming a course of study or training in a third country;
- (b) Citizens may apply to the authorised banks to buy convertible currency required for initial costs connected with education-related travel in third countries as per the limit prescribed by the RMA;
- (c) In order to pay for tuition fees and other charges, the citizen shall provide the authorized bank with documentation evidencing the costs incurred or to be incurred, e.g., by submitting a copy of a letter or invoice from the educational institution;
- (d) For living expenses, the convertible currency allowance shall be as prescribed by RMA from time to time; and
- (e) Authorized banks may remit the approved convertible currency, directly the portion owed to the educational institution abroad, and the balance to the citizen/resident's account abroad.

### **38. Private Travel**

- (a) Private travel shall be understood to mean travel outside Bhutan by a citizen that is not official, business, medical-related, or education-related travel; and

- (b) Citizens may apply to the authorised banks to buy convertible currency as per the limit prescribed by the RMA.

### **39. Insurance Services**

Insurance companies incorporated in Bhutan may remit convertible currency through authorized banks to make payments for current transactions related to the insurance, reinsurance or retrocession products and services.

### **40. Remittances by Resident:**

Residents who are legally employed in Bhutan may remit their remuneration abroad in convertible currencies through authorized banks subject to the following conditions:

- (a) Where the employment contract provides for the resident to be remunerated in convertible currency, the resident may remit up to 50 percent of their monthly remuneration abroad through normal banking channels; and
- (b) Where the employment contract provides for the resident to be remunerated in domestic currency, the following conditions shall apply:
  - (i) during the period of employment, up to 50 percent of the resident's monthly remuneration net of income-tax payable on the remuneration each calendar month; and
  - (ii) At the end of employment period, 100 percent of the remaining savings, including any interest income earned thereon, net of income-tax payable on such remuneration and interest income.

### **41. Subscriptions, Application, Testing and Professional Membership Fees**

- (a) Bhutanese citizens may apply to the authorised banks to buy convertible currency for any of the following purposes up to the amounts as prescribed by the RMA:
  - (i) subscriptions to foreign journals and publications;
  - (ii) application fees to educational and training institutions abroad including testing fees; and
  - (iii) membership fees in professional and trade bodies.
- (b) Remittances of convertible currency above the limits prescribed by the RMA for any of the purposes specified in clause (a) above shall require the specific approval of the RMA.

#### **42. Remittances on behalf of the Royal Government and its Agencies and Public Sector Entities**

- (a) For the purpose of this section, Public sector entities shall mean Government Owned Corporations, Bhutanese NGO's, Civil Society Organisations, and any other agencies specified by RMA for this purpose;
- (b) Authorized banks may remit convertible currency for current transactions on behalf of the Royal Government and its agencies and public sector entities, upon receipt of a letter or other communication signed by an authorized signatory indicating the amount, currency, purpose of the remittances and the name of the beneficiary abroad; and
- (c) Prior to making such remittances, the authorized bank must receive the value of such remittances in Ngultrum through valid instruction to debit the account of the remitting institution or upon receipt of a crossed cheque or pay order drawn on the bank account.

#### **43. Exports of Goods and Services to Third Countries**

- (a) Proceeds from export of goods and services to third countries must be received in convertible currencies through normal banking channels within 91 days from the date of export; and
- (b) The exporter and the concerned authorized bank must exercise diligence to realize the full export proceeds within the specified period.

### **CHAPTER VII: CAPITAL TRANSACTIONS**

#### **44. Foreign Direct Investment**

Bhutanese companies with approved foreign shareholding may:

- (a) Receive the foreign investment in convertible currency/permitted foreign currency through normal banking channels in accordance with the Foreign Direct Investment Policy 2010;
- (b) Repatriate capital and realized capital gains in convertible currency/permitted foreign currency, net of taxes on capital gains through authorized banks on the sale or partial sale of the foreign direct investment in Bhutan or on liquidation of the entity incorporated or registered in Bhutan, with the prior approval of the RMA;
- (c) Obtain foreign exchange in accordance with the Foreign Direct Investment Policy 2010; and

(d) Apply to the RMA for remittances of capital or capital gains associated with inward foreign direct investment accompanied by supporting documentation, including if applicable:

- (i) a copy of the foreign direct investment approval;
- (ii) executed contract of sale, in the case of repatriation of capital and capital gains on full or partial sale of the foreign direct investment;
- (iii) decision of the foreign direct investor to liquidate the investment or the court order of liquidation, in the case of repatriation of capital and capital gains on liquidation of the entity incorporated or registered in Bhutan;
- (iv) certificate issued by the company's auditor verifying payment of all obligations pertaining to the sale or liquidation and the net share available on sale or for distribution; and
- (v) proof of payment of the taxes applicable to the amounts being remitted.

(e) Upon receipt of RMA approval, the concerned person may remit the convertible currency/permitted foreign currency through normal banking channels.

#### **45. External Commercial Borrowing**

Capital transactions pertaining to External Commercial Borrowing (ECB) by Bhutanese citizens shall be as per the ECB guidelines issued by the Royal Government of Bhutan from time to time.

No person shall:

- (a) Contract or guarantee external commercial borrowing, except with the prior approval of the Ministry of Finance, provided that all such approved contracts or guarantees is registered with the RMA as per the External Commercial Guidelines; and
- (b) Extend debt to foreign nationals/non-residents or make or receive any payments, receipts or transfers in connection with such debt, except with the prior approval of the Ministry of Finance, provided that all contracts extending such debt shall be registered with the RMA.



#### **46. Immoveable Property**

- (a) Payments in connection with leases of, or similar transactions related to immoveable property in Bhutan by foreign citizens or non-residents may only be made in Ngultrum, except with the prior approval of the RMA; or
- (b) Payments, receipts or transfers of currency for citizens to own, acquire or hold immoveable property outside Bhutan, may only be made if the Royal Government of Bhutan has approved such acquisition or holding of property.

#### **47. Other Capital Transactions**

Payments, receipts, and transfers with respect to capital transactions not explicitly provided for in these Regulations shall not be made except with the approval of the Royal Government of Bhutan.

### **CHAPTER VIII: BANK ACCOUNTS IN BHUTAN AND ABROAD**

#### **48. Foreign Currency Accounts in Bhutan**

- (a) The following persons may open and maintain foreign currency accounts with authorized banks in Bhutan as per the guidelines issued by the RMA:
  - (i) permanent diplomatic or consular missions of foreign governments and international organizations in Bhutan and their staff who are remunerated in convertible currencies;
  - (ii) representative offices of donor agencies and their staff who are foreign citizens;
  - (iii) third country contracting firms engaged to execute projects approved by the Royal Government and financed by donor agencies, and their staff who are foreign citizens; and
  - (iv) any other person or category of persons specified by the RMA.
- (b) The following persons may open and maintain foreign currency accounts with authorized banks in Bhutan with prior approval from the RMA:
  - (i) Bhutanese manufacturing industries earning convertible currencies for import of raw material ;
  - (ii) Exporters of goods and services;
  - (iii) FDI companies;
  - (iv) Third country persons receiving grants, donations or similar inward remittances in convertible currency for projects that have been approved by the Royal Government;
  - (v) Correspondent banks of authorized banks in Bhutan; and
  - (vi) Bhutanese citizen or non-resident earning in foreign currency.

- (c) An authorized bank may open and maintain foreign currency accounts in other authorized banks in Bhutan;
- (d) Foreign currency accounts opened and maintained with authorized banks in Bhutan shall be denominated in any one of the convertible and permitted foreign currencies;
- (e) All foreign currency account holder may maintain up to 100 percent of convertible and permitted foreign currency receipts in their respective foreign currency accounts except for Bhutanese individuals/persons who shall maintain as per the limit prescribed by the RMA from time to time;
- (f) Reconversion of Ngultrum into convertible currencies/permitted foreign currency by any foreign currency account holders may not be permitted except by:
  - (i) Residents who have originally converted convertible/permitted foreign currency from their foreign currency account into Ngultrum at an authorised bank. In which case, reconversion up to the extent of the actual sale of convertible currency/permitted foreign currency as evidenced by exchange certificate may be permitted; and
  - (ii) Bhutanese industries earning in foreign currency shall be allowed to reconvert the entire amount earned to make payments for import of raw materials. The amount so converted shall not be credited into their respective foreign currency accounts but shall be remitted directly to the suppliers account through normal banking channel.
- (g) Balances in foreign currency accounts may be:
  - (i) converted into Ngultrum at the prevailing exchange rate; and
  - (ii) used to meet payments and transfer requirements in foreign currency for current transactions permitted by the RMA using normal banking channel.
- (h) No overdraft facility may be offered against foreign currency accounts;
- (i) The rate of interest on balances held in the account shall be at the discretion of the authorized bank concerned. Interest earned on balances held in foreign currency accounts are current proceeds and may be permitted to remit abroad;
- (j) Upon closure of a foreign currency account in Bhutan, where the holder is a foreign national, the account holder may:
  - (i) withdraw in convertible currency/permitted foreign currency notes as per the limit prescribed by the RMA; or
  - (ii) transfer abroad, in whole or in part the closing balance in convertible currencies through an authorized bank.

- (k) Upon closure of a foreign currency account in Bhutan, where the holder is a Bhutanese citizen the account holder shall sell the foreign currency balances held to an authorized bank at the prevailing exchange rate.

#### **49. Foreign Currency Accounts Abroad**

- (a) Bhutanese citizens may not open and maintain foreign currency accounts abroad except for the following persons:
  - (i) diplomatic and consular missions of Bhutan located abroad and their staff;
  - (ii) authorized banks;
  - (iii) citizens who are stationed outside Bhutan for higher studies, training, or employment abroad; and
  - (iv) public corporations and trust funds approved by the Royal Government with regular operations abroad.
- (b) The foreign currency accounts opened by the persons described under regulation 49(a) of these Regulations shall be closed upon completion of their term.

#### **50. Domestic Currency Accounts in Bhutan**

- (a) The following residents or foreign entities may open and maintain domestic currency accounts in authorized banks in Bhutan:
  - (i) permanent diplomatic or consular missions of foreign governments and international organizations in Bhutan and their staff who are foreign nationals;
  - (ii) representative offices of donor agencies and their staff who are foreign nationals;
  - (iii) foreign contracting firms engaged to execute projects approved by the Royal Government and financed by donor agencies and their staff who are foreign nationals; and
  - (iv) foreign nationals legally employed in Bhutan.
- (b) Balances held in domestic currency accounts of residents/foreign entities may be:
  - (i) withdrawn by the account holder in Bhutanese Ngultrum; or
  - (ii) converted into convertible currencies and remitted abroad by the account holder through authorized banks as per the limit prescribed by the RMA.
- (c) Upon closure of a domestic currency account, the account holder may:
  - (i) withdraw in convertible currency notes as per the limit prescribed by the RMA; or
  - (ii) transfer abroad, in whole or in part the closing balance in convertible currencies through an authorized bank.

## **51. Documentation and Reporting**

Each authorized bank shall maintain records and report to the RMA in accordance with the provisions of Chapter IX of these Regulations:

### **CHAPTER IX: RECORDS, REPORTING, PROVISION OF INFORMATION AND INSPECTIONS**

## **52. Maintenance of Records**

- (a) The following persons shall maintain foreign exchange transaction records for a minimum period of ten years:
  - (i) authorized banks; and
  - (ii) authorized money changers.
- (b) Other persons that engage in foreign exchange transactions in Bhutan shall maintain records of such transactions for a minimum period of three years.
- (c) Records required to be maintained under these Regulations may be maintained in a secure electronic form or in paper form, provided that the person required maintaining the records shall be fully responsible for producing the records as and when required by the RMA.

## **53. Reporting by Authorized Banks**

- (a) The authorized banks shall report on the following matters to the RMA:
  - (i) daily Indian Rupee balances (opening and closing), and credits and debits;
  - (ii) weekly third country currency balances (opening and closing), and credits and debits;
  - (iii) monthly statements on international credit and debit cards issued;
  - (iv) all payments for imports from India;
  - (v) all payments for imports from third countries;
  - (vi) monthly information on the closing of any foreign currency accounts in Bhutan;
  - (vii) monthly information on the closing of any domestic currency accounts of non-residents or foreign citizens in Bhutan;
  - (viii) quarterly data on aggregate balances held in foreign currency accounts in Bhutan and in domestic currency accounts of non-residents or foreign citizens in Bhutan; and
  - (ix) weekly data on authorized bank holdings in foreign currency accounts in Bhutan and abroad, showing Indian Rupee and convertible currency holdings separately.

#### **54. Reporting by Authorized Money Changers**

An authorized Money Changer shall report on following matters:

- (a) Monthly statements on purchases and sales of permitted convertible currency to banks; and
- (b) Exchange Certificate issued for purchase of convertible currency shall be maintained in original, and available for inspection by the RMA during such time.

#### **55. Reporting by others**

Other entities not described under Regulations 53 and 54 of these Regulations shall report on the following matters:

- (a) Bhutanese companies with approved foreign direct investment shall provide annual data on royalties, technical and management fees, profits and dividends paid, and any other inflows;
- (b) Quarterly data from the insurance companies/re-insurance companies on foreign currency payments and receipts;
- (c) The Trust Fund for Environmental Conservation to provide audited annual financial statements; and
- (d) Department of Revenue and Customs shall provide a report on outflow as per 5(b) and 6(a).

### **CHAPTER X: OFFENCES AND PENALTY**

#### **56. Penalties**

A person shall be liable to a fine or any other penalties prescribed under these Regulations for his or her contravention as follows:

- (a) If an individual fails to declare the source and the purpose as required under regulation 5(b), 6(a) and 6(b) of these Regulations, the amount involved shall be confiscated.
- (b) If a person fails to comply with regulations 7 and 8 of these Regulations, the amount involved shall be confiscated and may be prosecuted by the relevant agencies, if his or her act is an offence under laws of the Kingdom of Bhutan;
- (c) A person shall be guilty of an offense if he/she contravenes with Chapter IIIA of these Regulations, and shall be liable to a fine not exceeding two times the amount involved in contravention;

- (d) It shall be an offense if an authorized money changer fails to comply with regulations 14 (b) and (c) of these Regulations and shall be imposed a fine of Nu. 5,000 per incident;
- (e) It shall be an offence if an authorized money changer fails to comply with the regulations 15(a) and 15(b) of these Regulations. An authorized money changer shall be imposed a fine of Nu. 5,000 per incident. The RMA may revoke authorized money changer's license in addition to a fine, if such contravention occurs three or more times by an authorized money changer;
- (f) It shall be an offence if an authorized money changer fails to comply with regulation 16(e) of these Regulations and shall be imposed a fine of Nu. 5,000 per incident;
- (g) If an authorized person fails to comply with regulation 20 (d) of these Regulations, he/she shall be imposed a fine of Nu 5,000 per incident for his or her failure to report to the RMA;
- (h) If a person fails to comply the requirements under the regulation 24(a-f) of these Regulations, he or she shall be imposed a fine equivalent to the amount involved in the contravention;
- (i) If a person fails to comply the requirement under regulations 27(b) and 43(a) of these Regulations, he or she shall be banned from obtaining foreign currency from authorized banks for future imports;
- (j) If an individual or a person is not a person described under regulations 48 (a) (i-iv) of these Regulations, the concerned authorized bank shall be imposed a fine of Nu. 50,000 per incident and may be prosecuted by the relevant agencies, if his or her act is an offence under laws of the Kingdom of Bhutan;
- (k) If a person described under regulations 48 (b) (i-vi) of these Regulations, opens and maintain foreign currency accounts in authorized banks in Bhutan without the prior approval of the RMA, the concerned authorized bank shall be imposed a fine of Nu. 50,000.
- (l) It shall be an offence if a Bhutanese citizen or a person not described under regulation 49(a) (i-iv) opens and maintain foreign currency account abroad. A person in contravention under this regulation 49 (a) shall be imposed a fine of Nu. 100,000.
- (m) A Bhutanese citizen eligible to open the foreign accounts abroad shall close the foreign account upon completion of their term. A person failing to comply with Regulations 49(b) shall be imposed a fine of Nu. 50,000.
- (n) If an individual or a person is not a person described under regulation 50 (a) (i-iv) of these Regulations, the concerned authorized bank shall be imposed a fine of Nu 100,000 and his or her account shall be cancelled;

- (o) If a person described under section 52 (a) and (b) of these Regulations fails to comply with regulations under Chapter IX of these Regulations, a fine of Nu. 5000 shall be imposed per incident for late reporting or non-reporting;
- (p) If a person fails to pay the fine imposed under these Regulations, a fine shall be recovered through the Court of competent jurisdiction;
- (q) If no penalty is expressly provided for the offence under these Regulations, he or she shall be liable to a fine under relevant laws of the Kingdom of Bhutan; and
- (r) An individual or a person imposed with a fine under these Regulations shall not be immune from prosecution by the relevant agencies, if his or her act constitutes a crime punishable under the laws of the Kingdom of Bhutan.

## **CHAPTER XI: MISCELLANEOUS**

### **57. Amendment**

The Board may amend the Regulations from time to time as deemed fit;

### **58. Definition**

In these Regulations, unless the context otherwise requires:

- (a) “Authorised bank” means commercial bank licensed by the Royal Monetary Authority of Bhutan;
- (b) “Authorised Money Changer” means a person for the time being authorised under Chapter IIIB to deal in foreign exchange;
- (c) “Authorized Person/Persons” means individuals or entities authorized by the RMA;
- (d) “Board” means the Board of the Royal Monetary Authority of Bhutan;
- (e) “Capital transactions” means transactions involving foreign direct investment, portfolio investment, the acquisition of real estate or interests in real estate, and loans, guarantees and deposits other than normal short-term banking and credit facilities;
- (f) “Convertible Currency” means foreign currency denominated in Australian Dollars, Canadian Dollars, Danish Kroner, Euros, Hong Kong Dollars, Japanese Yen, Norwegian Kroner, Singapore Dollars, Swedish Kroner, Swiss Francs, United Kingdom Pound Sterling, or United States Dollars;
- (g) “Currency earnings” as used in the Foreign Direct Investment Policy, 2010 shall be understood to mean “foreign exchange earnings” as used in these Regulations;

- (h) “Current transactions” shall mean current payments, receipts and transfers between a resident and a non resident or to and from Bhutan;
- (i) “Debt” means loans, overdrafts or other credit facilities, including by way of leases, but does not include short-term trade or supplier credits or other normal short-term banking and credit facilities;
- (j) “Exchange Certificate” means certificate issued by Authorised Money Changers/Authorised banks upon each sale/purchase of foreign currencies;
- (k) “Foreign Currency” is any currency other than Bhutanese Ngultrum;
- (l) “Foreign currency account” means a bank account denominated in convertible currencies and permitted foreign currencies;
- (m) “Foreign Exchange” means any foreign currency and includes cheques, drafts, letters of credit, bills of exchange, promissory notes, deposits, and credits and balances expressed or drawn in any foreign currency;
- (n) “Foreign Exchange Earnings” means proceeds from export of goods and services of a country, and the returns from its foreign investments, denominated in convertible currencies and permitted foreign currencies;
- (o) “Hard currency” as used in the Rules and Procedures for Industrial Projects Requiring Hard Currency for Import of Raw Materials (dated June 4, 2004), and the term “convertible currency” as used in the Foreign Direct Investment Policy, 2010 shall be understood to mean convertible currencies;
- (p) “International credit or debit card” means a credit or debit card capable of being used abroad that has been issued by an authorized bank;
- (q) “Inward foreign direct investment” means foreign direct investment as defined in the Royal Government’s Foreign Direct Investment Policy, 2010;
- (r) “Money Order” shall mean money order services to and from India only;
- (s) “Non-resident” means a Bhutanese citizen who resides abroad for purpose of employment/carrying out on business or vocation outside Bhutan;
- (t) “Outward foreign direct investment” means outward foreign direct investment as specified in the Royal Government’s Regulations Relating to the Possession of Assets and Properties outside Bhutan by Bhutanese Citizens, 1993;
- (u) “Permitted foreign currency” means any foreign currency other than convertible currency specified by the RMA;



- (v) “Prohibited transactions” shall mean transactions prohibited under the Rules and Procedures for Imports from Third countries Issued by the Ministry of Economic Affairs and listed in Foreign Exchange Guidelines for commercial banks issued by the RMA;
- (w) “RMA” means Royal Monetary Authority of Bhutan;
- (x) “Resident” means a foreign national who resides in Bhutan for more than six months;
- (y) “Third country” means a foreign country other than India;