

## GUIDANCE NOTE - Implementation of the Foreign Exchange Fee

The Minister of Finance and Economic Affairs has authorised the Central Bank of Barbados, under the Exchange Control Act, Cap.71, to implement a foreign exchange fee. This guidance note outlines key details regarding the imposition of the foreign exchange fee (FXF), particularly as it relates to the applicable entities, exempt transactions, the required mode and timing of submission of the FXF, the currency of settlement of the same, and the appropriate calculation of the FXF.

This note is applicable to the following entities regarding any foreign exchange sold to their customers:

- *Central Bank of Barbados (the Bank).*
  - *Authorised foreign exchange dealers.*
  - *Credit card providers issuing foreign currency cards and/or local cards with international purchasing capability.*
  - *Money service providers engaged in the provision of foreign currency denominated remittances or loans.*
1. Subject to paragraph 3 below, the FXF is **applicable to** all transactions that require the remittance of or settlement in foreign currency including:
    - a. *Over-the-counter sales of foreign currency (such as cash/notes, demand instruments/drafts)*
    - b. *Wire transfers*
    - c. *Personal and corporate credit cards*
    - d. *Debit cards*
    - e. *Pre-paid travel cards*
  2. The FXF is to be paid by the party effecting the transaction at the point-of-sale of the foreign currency. For card transactions the FXF will be applied at settlement.
  3. The FXF is **not applicable to**:
    - a. Transactions from foreign currency accounts held by residents or non-residents.
    - b. Transactions from foreign currency accounts held by the international business and financial services sector.
    - c. Foreign currency trades on the interbank market between authorised foreign exchange dealers.
    - d. Foreign currency trades between the Bank and authorised foreign exchange dealers.
    - e. Foreign currency “cover transactions” provided by the Bank to authorised foreign exchange dealers for their customers.

- f. Foreign currency sales by authorised foreign exchange dealers to credit card providers or money service providers related to the settlement of transactions, where there is evidence that the FXF has already been applied to the originating transactions.
  - g. Foreign currency sales by authorised foreign exchange dealers related to select entities, where documentary evidence has been provided to the authorised dealer that the Government of Barbados has granted exemption from the application of new taxes or fees.
  - h. Foreign currency sales related to the settlement of transactions for the bulk purchase of petroleum, diesel or jet fuel, where documentary evidence has been provided to the authorised dealer.
  - i. Foreign currency sales made by the Bank or authorised foreign exchange dealers related to:
    - i. The Government of Barbados; and
    - ii. Debt service payments of statutory bodies.
4. The calculation of the FXF is at a rate of 2 percent, to be applied to the Barbados dollar equivalent of foreign currency transactions as follows:

$$\text{2 percent} * (\text{Nominal Value} \times \text{Applicable Exchange Rate})$$

- a. The implicit conversion exchange rate for the FXF will be the respective transaction exchange rate.
- b. The fee must be shown separately on transaction records, as illustrated in Table 1. below, using a transaction statement or debit advice that separately shows the applicable FXF.

**Table 1: Application of Foreign Exchange Fee<sup>1</sup>**

Nominal USD\$ Amount	Applicable Exchange Rate	Original BDS\$ Cost	FXF of 2% on BDS\$ Cost	New BDS\$ Cost
500.00	2.02768	1,013.84	20.28	<b>1,034.12</b>
100,000.00	2.02768	202,768.00	4,055.36	<b>206,823.36</b>
1,000,000.00	2.02768	2,027,680.00	40,553.60	<b>2,068,233.60</b>
5,000,000.00	2.02768	10,138,400.00	202,768.00	<b>10,341,168.00</b>

<sup>1</sup>Examples of the calculation of the FXF are listed using the Central Bank of Barbados quoted exchange rate for US dollar sales by authorised FX dealers to the public, related to telegraphic transfers and demand instruments. A transaction of USD\$500 will incur a FXF of Bds\$20.28, while a larger transaction of USD\$1.0 million will incur a FXF of Bds\$40,553.60.

5. The settlement currency of the FXF is Barbados dollars.
6. All travel facility limits articulated in Exchange Control Circular #13 issued by the Bank, as well as all other foreign currency transaction limits and allowances remain unchanged.
7. The FXF will commence on **July 17, 2017**.
8. The only exception will be for credit, debit and travel card transactions, which will commence effective **September 1, 2017**. All entities must ensure that effective use is made of this “implementation window” to facilitate any internal system changes and the requisite testing.
9. The FXF will remain in effect **until further notice**.

#### **Administrative & Operational Processing Requirements**

10. Any FXF collected by authorised foreign exchange dealers, credit card providers, or money service providers must be submitted via the Bank’s Real Time Gross Settlement (RTGS) system.
11. Those entities without access to RTGS must execute their settlements via their respective commercial banks. Commercial banks processing the FXF on the behalf of other entities must do so separately for the respective entity, clearly identifying for which entity it is being submitted, and for which period. Commercial banks are only responsible for the timely processing of the FXF amounts indicated by the entities that they are remitting funds on the behalf of, to the Bank.
12. All such FXFs must be submitted through the RTGS by the 15<sup>th</sup> of the month following the end of the reporting period<sup>2</sup>. An automated Society for Worldwide Interbank Financial Telecommunication (SWIFT) confirmation will be provided on receipt.
13. On submitting payment of the FXF, entities must also submit a duly completed Foreign Exchange Fee Form by the 15<sup>th</sup> of the month following the end of the reporting period (see Appendix 1 below). This must be submitted in Excel format using the Bank’s Virtual Private Network (VPN) and placed in the respective institution’s Electronic Data Interchange (EDI) folder<sup>3</sup>. This will be reconciled with all other related Foreign Exchange reports for the same period to ensure consistency of reporting.

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<sup>2</sup> For example, the FXF related to the month of September 2017 should be submitted by October 15th, 2017.

<sup>3</sup> VPN tokens will be issued to entities that do not presently have access to the Bank’s secure private network.

14. All entities must submit their own Foreign Exchange Fee Form by completing columns A, B, C and H. Only commercial banks processing FXF amounts for other entities through the RTGS need to complete columns D, E, F and G, related to what they have submitted on the behalf of other entities.
15. All credit card providers must complete the requisite financial schedule<sup>4</sup> issued by the Bank, related to credit card activity, to facilitate the adequate reporting by each provider of the total FXF collected monthly.
16. Requests for refunds of the FXF related to cancelled foreign currency sale transactions must be submitted to the Central Bank of Barbados, to the attention of the Director, Foreign Exchange Control Department<sup>5</sup>.
17. The Bank will ensure that the FXF is paid into the Consolidated Fund on a monthly basis, and issue a confirmation statement of the same to the Accountant General.

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<sup>4</sup> The Central Bank's Financial Schedule 2i Credit Cards that is presently submitted through the Bank's Straight-through Processing (STP) System, will be edited to accommodate such.

<sup>5</sup> The related FXF refund form and associated guidance will be provided.

## Appendix 1

**CENTRAL BANK OF BARBADOS**  
**MONTHLY FOREIGN EXCHANGE FEE (FXF) ON SALE OF FOREIGN CURRENCY**  
**BDSS EQUIVALENT**

NAME OF REPORTING ENTITY: REPORT FOR THE MONTH ENDED:								
	Total Sale of Foreign Currency	Total Exemptions	Total FXFs Collected	FEFs SUBMITTED VIA RTGS ON BEHALF OF OTHERS <sup>1</sup> :				CBB Approved Refunds of FXFs From the Previous Month
				Authorised Foreign Exchange Dealers	Credit Card Providers	Money Service providers	TOTAL	
	A	B	C	D	E	F	G	H
Over-the-counter <sup>2</sup>			-				-	
Wire transfers			-				-	
Credit cards			-				-	
Debit cards			-				-	
Pre-paid travel cards			-				-	
Other*			-				-	
<b>TOTAL</b>	-	-	-	-	-	-	-	-

<sup>1</sup> All entities must submit their own reports completing columns A, B, C and H. Only those submitting through RTGS (i.e. commercial banks) also need to complete columns D, E, F, G related to what they have submitted on behalf of other entities.

<sup>2</sup> Cash/notes, demand instruments & drafts.

\*All other transactions that require the remittance of or settlement in foreign currency.