

THE KINGDOM OF BHUTAN
FOREIGN EXCHANGE REGULATIONS, [2013]

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CHAPTER I: GENERAL PROVISIONS

1. Short title and commencement

- (a) This Regulation shall be called the Foreign Exchange Regulation 2013 adopted pursuant to Section 117 of the RMA Act 2010.
- (b) This Regulation supersedes the Foreign Exchange Regulation 1997. If any provision of this Regulation is found to be in conflict with any provision of the Foreign Exchange Regulation 1997, this Regulation shall prevail.

2. Definitions:

- (a) In this Regulation, unless the context otherwise requires:
 - (i) “RMA” means Royal Monetary Authority of Bhutan.
 - (ii) “Resident” means a foreign national who resides in Bhutan for more than six months.
 - (iii) “Non-resident” means a Bhutanese citizen who resides abroad for purpose of employment/carrying out on business or vocation outside Bhutan.
 - (iv) “Person” means an individual, a company, or any body of persons, whether incorporated or not;
 - (v) “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.
 - (vi) “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;
 - (vii) “Foreign Currency” is any currency other than Bhutanese Ngultrum.
 - (viii) “Permitted foreign currency¹” means any foreign currency other than convertible currency specified by the RMA,

¹ Permitted foreign currency” currently refers to Indian Rupee only.

- (ix) “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.
 - (x) “Foreign currency account” means a bank account denominated in convertible currencies and permitted foreign currencies.
 - (xi) “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.
 - (xii) “International credit or debit card” means a credit or debit card capable of being used abroad that has been issued by an authorized bank;
 - (xiii) “Inward foreign direct investment” means foreign direct investment as defined in the Royal Government’s Foreign Direct Investment Policy, 2010.
 - (xiv) “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.
 - (xv) “Current international transactions” shall mean current payments, receipts and transfers between a resident and a non resident or to and from Bhutan.
 - (xvi) “Third country” means a foreign country other than India.
 - (xvii) “Authorised bank” means commercial bank licensed by the Royal Monetary Authority of Bhutan.
 - (xviii) “Authorised Money Changer” means a person for the time being authorised under Chapter IIIB to deal in foreign exchange.
 - (xix) “Exchange Certificate” means certificate issued by Authorised Money Changers upon each sale/purchase of foreign currencies.
 - (xx) “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;
- (b) In this Regulation:
- (i) the term “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; and

- (ii) the term “currency earnings” as used in the Foreign Direct Investment Policy, 2010 shall be understood to mean “foreign exchange earnings” as used in this regulation.

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

3. Import and Export of Ngultrum

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

4. Import and Export of Foreign Currency

- (a) If the total value of foreign currency, including Indian Rupees, brought into or taken out of Bhutan exceeds US\$10,000 or its equivalent, the individual shall declare the total value and sources of such foreign currency to customs at the time of arrival or departure.
- (b) An individual may bring into Bhutan on arrival from India only, or take out of Bhutan when departing for India only, amount specified in section 2(a) above in denominations of 100 Rupees and below only or as notified by the RMA from time to time.
- (c) A resident individual may take out of Bhutan when departing for any country:
 - (i) cheques drawn on permitted foreign currency accounts;
 - (ii) third country banknotes, coins, travellers’ cheques or other instruments denominated in foreign currencies that has been acquired or that is held in accordance with this Regulation.
- (d) An individual who is not resident/citizen leaving Bhutan may take out convertible currency, banknotes and coins up to:
 - (i) the amount of convertible currency originally converted into Ngultrum by reconverting, such Ngultrum into convertible currency at an authorized bank or any authorized money changers as reflected in the Exchange certificate.
 - (ii) the unconverted portion of convertible currency brought into Bhutan by the same individual.

- (e) Any other import and export of foreign currency not expressly permitted above may be done with prior approval of the RMA.

5. Other Imports and Exports

Any import or export of gold or silver coins, bars or bullion, shall be carried out only with the prior approval of the RMA.

CHAPTER IIIA: FOREIGN EXCHANGE TRANSACTIONS, EXCHANGE RATES, AND FOREIGN EXCHANGE HOLDINGS OF AUTHORIZED BANKS

6. Foreign Exchange Licenses of Authorized Banks

Authorised banks are licensed to deal in foreign exchange as specified in clause 2 below.

7. Foreign Exchange Transactions by Authorized Banks

Subject to this Regulation, an authorized bank may only:

- (i) buy or sell convertible currencies, and permitted foreign currencies;
- (ii) accept initial deposits of convertible currencies and permitted foreign currencies to open foreign currency accounts in Bhutan;
- (iii) place deposits of convertible currencies only in bank accounts with other authorised banks in Bhutan ;
- (iv) make payments and transfers of convertible currencies, and permitted foreign currency on its own behalf or on behalf of other persons;
- (v) receive inward remittances of convertible 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 in this Regulation.
- (vii) open and maintain foreign currency accounts abroad with their correspondent banks or in Bhutan with the prior approval from the RMA for their foreign correspondent banks; and
- (viii) engage in such other foreign exchange transactions as may be permitted by the RMA or in this regulation.

8. Buying and Selling Exchange Rates

- (a) The RMA shall determine the buying and selling exchange rates for the Bhutanese Ngultrum against convertible currencies that apply to bills of exchange, telegraphic transfers, travellers' cheques, banknotes and such other transactions as the RMA may deem fit. 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 communicate the opening rates for each business day to the authorized banks no later than 4.00 p.m. of previous business day. Authorized banks shall apply the prevailing buying and selling exchange rates communicated by the RMA to the foreign exchange transactions of that particular day.
- (c) Unless otherwise specified by the RMA, the applicable exchange rates on a day other than a business day shall be the closing rates applicable on the last preceding business day.

9. Foreign Currency Holdings of Authorized Banks

- (a) The RMA may prescribe limits on foreign currency holdings of an authorized bank, 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.
- (c) In the event the RMA determines that there is a balance of payment need, authorized banks shall withdraw specified foreign currency deposits, irrespective of their maturity, and transfer the proceeds to the RMA.

10. Records and Reporting

Each authorized bank shall be required to document and report all foreign exchange operations, including payments, receipts, settlements, holdings and positions, in accordance with the provisions of Chapter VIII of this regulation.

CHAPTER IIIB: FOREIGN EXCHANGE TRANSACTIONS, EXCHANGE RATES, AND FOREIGN EXCHANGE HOLDINGS OF AUTHORIZED MONEY CHANGERS

11. Foreign Exchange Licenses of Authorized Money Changers

- (a) Legal entities that are not banks may apply for a license as an authorized money changer provided such entities:
 - (i) are incorporated in Bhutan;
 - (ii) have a physical place of business in Bhutan;
 - (iii) be certified by the Tourism Council of Bhutan as a tourist grade hotel or guest house.
 - (iv) hold stand alone trade license issued by MOEA.
- (b) A separate authorized money changer license is required for each branch, location or counter of an authorized money changer and it is not transferable.

- (c) A copy of the license must be publicly displayed at each of such branch, location or counter.
- (d) Licenses previously granted shall be deemed to be the foreign exchange licenses granted under this Regulation.
- (e) When applying for an authorized money-changer license each applicant shall submit the required documents to the RMA.

12. Foreign Exchange Transactions by Authorized Money Changers

An authorized money changer may only:

- (a) buy from individuals banknotes and travellers' cheques denominated in convertible currencies against Ngultrum
- (b) sell to authorized banks only, holdings of banknotes and travellers' cheques denominated in convertible currencies against Ngultrum.

13. Buying and Selling Exchange Rates

- (a) Authorized money changers are responsible for obtaining, from the RMA or an authorized bank, the prevailing exchange rates established by the RMA.
- (b) Authorized money changers shall apply the prevailing exchange rates to the foreign exchange transactions they are permitted to conduct.
- (c) Each authorized money changer shall publicly 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 closing rates applicable on the last preceding business day.

14. Foreign Currency Holdings of Authorized Money Changers

Unless otherwise specified by the RMA, each authorised money changer shall deposit all of its foreign currencies at one of the authorised banks within five working days.

15. Documents and Reporting

Authorized money changers shall document and report foreign exchange transactions in accordance with the provisions of Chapter VIII of this Regulation.

CHAPTER IV: FOREIGN EXCHANGE TRANSACTIONS THROUGH INTERNATIONAL MONEY TRANSFER SERVICES AND MONEY ORDER²

16. International Money Transfer Services and Money Order

- (a) Any authorised person may conduct money order and international money transfer services subject to the provisions of this Regulation.
- (b) Authorised person shall 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.

17. Inward Remittances

- (a) Inward remittances received by way of money order or international money transfer must be received in foreign currency through an authorized bank.
- (b) On the date on which the inward remittance is received in foreign currency by the authorized bank on behalf of authorised person, the authorized bank shall credit the authorised person's account with the proceeds and notify authorised persons of such credit.
- (c) The Authorised person shall then pay to the beneficiaries of money orders and international money transfers in Bhutan the amount of the inward remittance in Ngultrum only, less applicable commissions and charges.
- (d) Inward remittances exceeding a total value of US\$3,000 or its equivalent, payable to any beneficiary in Bhutan, shall be reported to the RMA by the authorised person's, along with the identity of the beneficiary and purpose of the remittance.

18. Outward Remittances by International Money Transfer

Where the RMA has approved the outward remittances of convertible currency, authorised persons may facilitate such outward remittance by way of international money transfer, in accordance with the following procedure.

- (a) Where the person making the remittance is a citizen/resident of Bhutan, authorised person's shall upon receipt of Bhutanese Ngultrum equivalent to the amount to be sent in convertible currency shall remit the convertible currency purchased through normal banking channels to International Money Transfer for onward transfer to the beneficiary.

² Money Order shall mean money order services to and from India only.

- (b) Where the person making the remittance is not a citizen/resident of Bhutan, authorised person's shall upon receipt of convertible currency shall remit the same through normal banking channels to International Money Transfer for onward transfer to the beneficiary.

19. Outward Remittances by Money Order

Bhutan Post may facilitate remittances of Indian Rupees to India by way of money order, and settle such amounts in Indian Rupees, in accordance with its arrangements with the Indian Postal Service.

20. Documents and Reporting

Authorised person shall document and report foreign exchange transactions in accordance with the provisions of Chapter VIII of this Regulations.

CHAPTER IV: PAYMENT ARRANGEMENTS

21. Payment and Transfers

- (a) All payments, receipts and transfers for trade in goods and services to India maybe made in Indian Rupee only.
- (b) all payments and transfers within Bhutan may be made in Ngultrum only.
- (c) all payments, receipts and transfers for trade in goods and services to Nepal maybe made in permitted foreign currency or convertible currencies.
- (d) all payments, receipts and transfers for trade in goods and services to third countries maybe be made in convertible currencies only.
- (e) payments and transfers of foreign currencies are not permitted for prohibited transactions³ with any country.
- (b) payments and transfers of foreign currencies for current international transactions that are not explicitly provided for and in excess of any limits prescribed in this Regulation shall not be made except with the prior approval of the RMA.

³ For the purpose of this Regulation 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.

22. 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/Residents and
 - (ii) legal entities incorporated or registered in Bhutan, for use by their officers or employees.
- (b) The RMA shall set the credit or spending limits that 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 way of debit to their respective foreign currency account maintained with the issuing authorized bank.
- (d) Authorized banks issuing international credit or debit cards shall be entitled to settle any outstanding balances with their international counterparties in foreign currencies through normal banking channels.

23. Documents and Reporting

Authorised person shall document and report foreign exchange transactions in accordance with the provisions of Chapter VIII of this Regulations.

CHAPTER V: CURRENT INTERNATIONAL TRANSACTIONS

24. Current International Transactions with India

- (a) Payments, receipts and transfers for current international transactions with residents/citizens of India may be made and received freely provided that it is made and received through normal banking channels or unless otherwise specified by the RMA.
- (b) Except with prior RMA approval, receipts from current international transactions with India shall be received in Indian Rupees only within 91 days from the date of export through normal banking channels.
- (c) Letters of credit for import payments and transfers issued by authorized banks shall be in accordance with normal banking procedures.
- (e) Authorized banks may execute advance payments for imports of goods or services from India, where the contracting of such advance payments is permissible.

- (f) Bhutanese citizen/residents travelling to India for any purpose (official, private, business, medical, education etc) may apply to the authorized banks to obtain Indian rupee as per the limit prescribed by the RMA from time to time.
- (g) Bhutanese citizens/residents importing goods from India may remit payment against Freight/Transport Insurance in Indian Rupee through normal banking channel.
- (h) Resident Indian Expatriates with valid work permit and or business license may remit their remuneration to India in Indian rupee through normal banking channel as per the limit prescribed by the RMA from time to time.
- (i) Payment for any import of goods and services by the Government agencies shall be permitted as per the limit prescribed by the RMA from time to time.

25. Current International Transactions with Third Countries

25.1 Import of Goods

- (a) Subject to the other provisions of this Regulation, persons who have been granted an import license by the Royal Government may remit such convertible currency from an authorized bank in order to make payments and transfers in connection with import of the goods specified in the license.
- (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) On verification that the importer is in possession of a valid import license, authorized banks may remit the convertible currency abroad on behalf of the importer through normal banking channels.
- (d) Unless otherwise permitted by the RMA, payments and transfers of convertible currency for imports shall be made 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 funds transfer

25.2 Imports of Goods under Special Policies

Notwithstanding the provisions on import payments contained in the “Rules and Procedures for Approval of Industrial Projects Requiring Hard Currency for Import of Raw Materials”, importers covered by those rules and procedures may use the following sources of convertible currency to pay for initial and subsequent imports of raw materials from third countries, through authorized banks:

- (i) convertible currency earnings; or
- (ii) any other sources of convertible currency owned by the importer.

25.3 Advance Payments

- (a) Authorized banks may execute advance payments for imports of goods or services from third countries, where the contracting of such advance payments 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, demonstrating the cost of the goods or services and the terms requiring advance payment;
 - (ii) the payment shall be made direct to the supplier or other payee under the contract through normal banking channels;
 - (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.

25.4 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 in which there is approved foreign direct investment shall be entitled to remit through normal banking channel:

- (a) balances of convertible currency owned or held by them to pay for initial and subsequent licensed imports from third countries, including of capital goods, intermediate goods, and raw materials.
- (b) payments of interest, fees, charges and amortization on permitted convertible currency loans in accordance with the terms of the loan as approved by the Ministry of Finance.
- (c) royalties, technical service or management fees in accordance with the respective agreements for such payments previously approved by Ministry of Finance; and
- (d) net profits and dividends, calculated net of taxes payable on such profits and dividends that are balanced by net earnings in convertible currency receipts from the business.

Applications to the RMA for remittances referred to in subsection (a) above must be accompanied by supporting documentation.

25.5 Freight and Transportation Service cost.

- (a) Importers holding a valid import license may remit convertible currency to make payments for actual freight and transportation service costs incurred in connection with such imports through normal banking channel.

- (b) Exporters may remit convertible currency to make payments for actual freight and transportation service costs incurred in connection with their exports through normal banking channels.
- (c) Any other payments for purpose not included in subsection (a) and (b) above may be made through normal banking channel against supporting documentation.

25.6 Tickets and Allowances for Travel

Bhutanese citizens/residents purchasing air tickets in Bhutan may make payment for such transaction in Ngultrum only.

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 funds of externally financed projects, shall be regarded as official travel for purposes of this Regulation.
- (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:
 - (i) the names and designations of the travellers;
 - (ii) the purpose and duration of travel;
 - (iii) the countries to be visited; and
 - (iv) the foreign currency to be provided.
- (c) Payments of 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.

Business Travel:

Bhutanese citizens carrying on a registered business activity 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, and that is not official travel may apply to the authorised banks to obtain convertible currency as per the limit prescribed by the RMA.

Medical-related Travel:

- (a) Medical-related travel shall be understood to mean travel to third countries by Citizens of Bhutan, accompanied by one able escort, if necessary, and on the

recommendation of a medical specialist for purposes of medical treatment or examination abroad.

- (b) Citizens may apply to the authorised banks to obtain convertible currency required for initial costs connected with medical-related travel, associated living expenses and the cost of treatment, including medicines 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.
- (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.

Education- related travel:

- (a) Education-related travel shall be understood to mean travel to a third country by a citizen for purposes of undertaking or resuming a course of study or training in the third country and that is not official travel.
- (b) Citizens may apply to the authorised banks to obtain 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 respective banks with documentation evidencing these costs incurred or to be incurred, e.g., by submitting a copy of a letter or invoice from the educational institution.
- (d) 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.

Private travel:

- (a) Private travel shall be understood to mean travel to third countries by a citizen that is not official, business, medical-related, or education-related travel.
- (b) Citizens may apply to the authorised banks to obtain the convertible currency as per the limit prescribed by the RMA.

25.7 Insurance Services

- (a) The Insurance companies incorporated in Bhutan may remit foreign currency through authorized banks to make payments for current international transactions related to the insurance, reinsurance or retrocession products and services.
- (b) Importers holding a valid import license may remit convertible currency from authorized banks to make payments for actual insurance costs incurred in connection with such imports.

25.8 Remittances by Residents:

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

- (a) Where the contract of employment provides that the resident is remunerated in convertible currency, the resident may remit 50 percent of their monthly remuneration abroad through normal banking channel.
- (b) Where the contract of employment provides that the resident is remunerated in domestic currency, 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, 100 percent of the remaining savings, including any interest income earned thereon, net of income-tax payable on such remuneration and interest income.

25.9 Subscriptions, Application, Testing and Professional Membership Fees

- (a) Bhutanese citizens may apply to the authorised banks to obtain convertible currency for any of the following purposes up to the amount as prescribed by the RMA:
 - (i) subscriptions to foreign journals and publications;
 - (ii) application fees to educational, educational testing and training institutions abroad; and
 - (iii) membership fees in professional and trade bodies.
- (b) Citizens may remit convertible currency in excess of the limit prescribed by the RMA for one of the purposes specified clause (a) above only with the prior approval of the RMA..

25.10 Remittances on behalf of the Royal Government and its Agencies and Public Sector Entities.

- (a) Public sector entities refer to Government Owned Corporations, Bhutanese NGO's, Civil Society Organisations, and any other agencies specified by RMA for this purpose.

- (b) An authorized bank may remit convertible currency for current international 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.
- (c) Prior to making such remittances, the authorized bank must receive the value of such remittances in Bhutanese 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.

25.11 Exports of Goods and Services to Third Countries

- (a) Except with prior RMA authorization, proceeds for exports of goods and services to third countries shall be received in convertible currencies within 91 days from the date of export through normal banking channels.
- (b) The exporter and the concerned authorized bank shall exercise diligence to realize the full export proceeds within the specified period. .

CHAPTER VI: INTERNATIONAL CAPITAL TRANSACTIONS:

26. Inward Foreign Direct Investment

Bhutanese companies in which there is approved foreign direct investment may;

- (i) Remit the approved investment in convertible currency/permitted foreign currency through normal banking channels in accordance with the Foreign Direct Investment Policy, 2010.
- (ii) repatriate capital and 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.
- (iii) 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.

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

27. External Commercial Borrowing

- (a) Bhutanese citizens shall not 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
- (b) Citizens shall not 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.

28. 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.
- (b) Payments, receipts or transfers of currency for citizens to own, acquire or hold immoveable property outside Bhutan, may only be made if the Ministry of Finance has approved such acquisition or holding of property.

29. Other International Capital Transactions

Payments, receipts, and transfers with respect to international capital transactions not explicitly provided for in this Regulation shall not be made except with the approval of the Ministry of Finance, for the underlying transaction, and with the approval of the RMA, for the related payments, receipts, and transfers.

CHAPTER VII: BANK ACCOUNTS IN BHUTAN AND ABROAD

30. Foreign Currency Accounts in Bhutan

- (a) The following persons may open and maintain foreign currency accounts in authorized banks in Bhutan as per the guideline 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 in authorized banks in Bhutan with prior approval from the RMA:
- (i) Bhutanese companies undertaking approved industrial projects requiring convertible currencies for raw material imports.
 - (ii) exporters of goods and services.
 - (iii) FDI companies.
 - (iii) third country persons receiving grants, donations or similar inward remittances in convertible currency for projects that have been approved by the Royal Government
 - (iv) correspondent banks of authorized banks in Bhutan and
 - (v) 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 currencies.
- (e) All foreign currency account holder may maintain up to 100 percent of convertible currency receipts in their respective foreign currency account 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 memo may be permitted.
 - (ii) Bhutanese Industries earning in foreign currency shall be allowed to reconvert the amount required to make import payment without debiting their respective foreign currency account or as per the limit prescribed by the RMA from time to time.

- (g) Balances in foreign currency accounts may be:
 - (i) converted into Bhutanese Ngultrum at the prevailing exchange rate.
 - (ii) used to make payments and transfers in foreign currency for current international 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.

31. Foreign Currency Accounts Abroad

- (a) Only the following Bhutanese citizens/persons may open and maintain foreign currency accounts abroad:
 - (i) diplomatic and consular missions of Bhutan located abroad and their staff;
 - (ii) authorized banks;
 - (iii) citizens who leave Bhutan for higher studies, training, or employment abroad;
 - [(iv) public corporations and trust funds approved by the Royal Government with regular operations abroad.
- (b) The foreign accounts opened above shall be closed upon completion of the term. Failure to do so may be-----

32. Domestic Currency Accounts in Bhutan

- (a) The following residents/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.
 - (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.

33. Documentation and Reporting

Each authorized bank shall maintain records and report to the RMA in accordance with the provisions of Chapter VIII of these Rules and Procedures on:

- (i) foreign currency accounts in Bhutan; and
- (ii) domestic currency accounts of resident foreign nationals in Bhutan.

CHAPTER VIII: RECORDS, PROVISION OF INFORMATION AND INSPECTIONS

34. Maintenance of Records

- (a) The following persons shall maintain foreign exchange transaction records for a minimum period of ten years:
 - (i) authorized banks;
 - (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 this Regulation may be maintained in a secure electronic form or in paper form, provided that the person required to maintain the records shall be fully responsible for producing the records if the RMA requests.

35. Reporting by Authorized Banks

- (a) Daily Indian Rupee balances (opening and closing), and credits and debits
- (b) Weekly third country currency balances (opening and closing), and credits and debits
- (c) Monthly statements on international credit and debit cards issued
- (d) Authorized banks to report on all payments for imports from India
- (e) Customs to provide quarterly data on imports from India
- (f) Authorized banks to report on all payments for imports from third countries
- (g) Customs to provide quarterly data on imports from third countries
- (h) Authorized banks to provide monthly information on the closing of any foreign currency accounts in Bhutan.
- (i) Authorized banks to provide monthly information on the closing of any domestic currency accounts of non-residents or foreign citizens in Bhutan
- (j) Authorized banks to provide 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
- (k) Authorized banks to provide [weekly] data on authorized bank holdings in foreign currency accounts in Bhutan and abroad, showing Indian Rupee and third country currency holdings separately

36. Reporting by Authorized Money Changers

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

37. Reporting by others:

- (a) Bhutanese company with approved foreign direct investment to provide annual data on royalties, technical and management fees and profits and dividends paid
- (b) Quarterly data from the Royal Insurance Corporation of Bhutan on foreign currency payments and receipts

- (c) The Trust Fund for Environmental Conservation and the National Pension and Provident Funds to provide audited annual financial statements.
- (d) The Trust Fund for Environmental Conservation and the National Pension and Provident Funds to provide [quarterly] data on capital invested, capital gains or losses (realized and unrealized), interest income, fees, and closing balances.

CHAPTER IX: PENALTIES AND OFFENCES:

- (a) Any person, not being an authorized bank or money changer, who deals in foreign exchange, or contravenes any provision of this regulation, or any rule, directive or order issued pursuant to this regulation shall be guilty of an offence, and upon conviction in a court of law, shall be liable to a fine not exceeding two times the amount involved in the contravention.
- (b) Financial Services Act of Bhutan, 2011.
- (c) Notwithstanding anything mentioned in subsection (a) and (b) above, a person violating any provisions of this Regulation, and if no penalty is expressly provided for the offence in this act, shall be punishable with a fine as may be determined by the RMA from time to time.