

# ROYAL MONETARY AUTHORITY OF BHUTAN

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## FOREIGN EXCHANGE RULES AND REGULATIONS 2022

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## **FOREIGN EXCHANGE RULES AND REGULATION 2022**

In exercise of the powers conferred by Section 117 of the Royal Monetary Authority Act of Bhutan 2010, the Royal Monetary Authority of Bhutan (RMA) hereby frame and adopt the Foreign Exchange Rules and Regulations 2022 during its ..... Board meeting held on ..... for the effective management of the foreign exchange reserves in Bhutan.

## **CHAPTER I: PRELIMINARY**

### **1. SHORT TITLE, EXTENT, AND COMMENCEMENT**

These Rules and Regulations shall:

- a) be cited as the Foreign Exchange Rules and Regulations 2022;
- b) extend to the whole of the Kingdom of Bhutan;
- c) Come into force with effect from DD/MM/2022.

### **2. OBJECTIVES**

The Royal Monetary Authority of Bhutan adopts the Foreign Exchange Rules and Regulations 2022 for the management of the foreign exchange reserves.

### **3. RULES OF CONSTRUCTION**

In these rules and regulations unless the context indicates otherwise, the singular shall include plural and the masculine gender shall include the feminine gender hereafter.

### **4. REPEAL**

- a) Upon coming into force of these rules and regulations, the Foreign Exchange Rules and Regulations 2020 shall be considered repealed by this rule and regulation.
- b) These rules and regulations shall supersede any circular, guideline or notifications that are inconsistent with these rules and regulations.

### **5. AUTHORITY AND INTERPRETATION**

- a) The RMA may establish limits, prescribe rule and procedure, and issue notification, order, guideline and clarification in respect of foreign exchange transaction as empowered under Section 117 of the Royal Monetary Authority Act of Bhutan 2010.
- b) Further, the power to interpret these rules and regulations shall vest with the RMA, which if warranted, may issue such instruction and clarification in the form of circular from time to time as may be necessary to give effect and implement these rules and regulations.

### **6. POWER TO MAKE RULE**

The RMA shall formulate necessary operational guideline for the implementation of these rules and regulations.

## **CHAPTER II: IMPORT AND EXPORT OF BANK NOTE, CIRCULATION COIN, GOLD AND SILVER**

### **7. IMPORT AND EXPORT OF BANK NOTE AND CIRCULATION COIN**

- a) A person may bring into Bhutan, foreign exchange in the form of traveler's cheque, bank draft or banknotes without limit, subject to the condition that such person makes, on arrival in Bhutan, a declaration to the Department of Revenue and Customs, Ministry of Finance. It shall not be necessary to make such declaration where the aggregate value of the foreign exchange in the form of traveler's cheque, bank draft or banknotes brought in by such person at any one time does not exceed US\$10,000 or its equivalent in foreign currency;
- b) A person may take out of Bhutan, foreign exchange in the form of traveler's cheque, bank draft or bank notes up to US\$ 10,000 or its equivalent in foreign currency at any one time. Any amount exceeding US\$ 10,000 or more shall be subject to the condition that such person obtains clearance from the RMA and makes a declaration of the same at the Department of Revenue and Customs, Ministry of Finance;
- c) A person may not send in or out of Bhutan any Ngultrum banknote or circulation coin through post or courier or any other means. However, a person may carry up to a total amount of 5000 Ngultrum in the form of banknote or circulation coin when traveling into or out of Bhutan; and
- d) A person may surrender to an Authorized Dealer I and III upon return from travel abroad the balance foreign currency cash.

### **8. IMPORT AND EXPORT OF GOLD AND SILVER**

- a) Any import or export of gold and silver in the form of coin, bar, or bullion, including jewelry in excess of the duty-free baggage allowance prescribed by the Ministry of Finance shall not be made except with the prior approval of the RMA; and
- b) RMA's approval of such transaction shall be provided in the form of clearance based on the recommendation letter from the Ministry of Finance.

### **CHAPTER III: AUTHORIZED DEALER IN FOREIGN EXCHANGE TRANSACTIONS, EXCHANGE RATES AND HOLDING LIMITS**

#### **9. AUTHORIZED DEALER IN FOREIGN EXCHANGE**

- a) Any person who has been licensed by the RMA under these rules and regulations shall be deemed as Authorized Dealers in Foreign Exchange Transactions categorized as follows:
  - i) Authorized Dealer I includes the Authorized Commercial Banks licensed by the RMA herein, referred as AD I;
  - ii) Authorized Dealer II includes the Authorized Money Transfer Operators licensed by the RMA herein, referred as AD II; and
  - iii) Authorized Dealer III includes all the Authorized Money Changers licensed by the RMA herein, referred as AD III.
  
- b) No other person shall deal in or transfer any foreign exchange to any person other than an Authorized Dealer.

#### **10. AUTHORIZED DEALER I**

- a) Foreign Exchange Transactions by AD I:
  - i) Buy or sell and accept deposit in foreign currency only;
  - ii) Not deal in non-convertible currency bank notes;
  - iii) Open and maintain foreign currency account abroad with their correspondent banks with the prior approval from the RMA;
  - iv) Make payment, receive, or transfer in foreign currency on its own behalf or on behalf of another person;
  - v) Seek approval from the RMA prior to the introduction of any new product that entail foreign exchange outflow including for issuance of any international debit/prepaid/credit card;
  - vi) Engage in such other foreign exchange transaction as may be permitted by the RMA from time to time;
  - vii) Hold balance in foreign currency subject to such limits as may be prescribed by the RMA from time to time;

- viii) Draft Standard Operating Procedure (SOP) and internal policy, including a comprehensive control procedure for implementing these rules and regulations;
  - ix) Shall comply to Anti-Money Laundering and Combating the Financing of Terrorism Act 2018, Anti-Money Laundering and Combating the Financing of Terrorism Rules and Regulations 2022 and relevant regulation and amendments thereto to the extent prevalent for executing any foreign exchange transactions;
  - x) Ensure that “Guide on Customer Due Diligence” issued by the Financial Intelligence Department is complied in respect to any payment, receipt and transfer of foreign currency; and
  - xi) The Internal Audit of AD I shall ensure compliance to the Foreign Exchange Rules and Regulations, Foreign Exchange Operational Guidelines, and any other directives issued by RMA from time to time.
- b) Exchange Rates
- i) The RMA shall determine the buying and selling rate for the Bhutanese Ngultrum against foreign currency that apply to bills of exchange, telegraphic transfer, traveler’s cheque, banknote and such other transactions. The RMA’s determination shall be based on prevailing international market rate, taking into account the normal commercial cost and risk of exchange transaction and its obligation under the International Monetary Fund’s Articles of Agreement;
  - ii) The RMA shall convey the rate for the next business day to the AD I by the end of preceding business day. Notwithstanding, Section 10 b) i), AD I shall apply the buying and selling exchange rate so communicated by the RMA to the foreign exchange transactions of that particular day; and
  - iii) Unless otherwise specified by the RMA, the exchange rate on a day which is not a business day shall be the applicable on the last preceding business day.
- c) Foreign Exchange Holding of AD I:
- i) The RMA may prescribe limit on foreign exchange holding of an AD I, which maybe currency or entity-specific;
  - ii) AD I may make investment abroad in instruments prescribed by the RMA from time to time; and

- iii) In the event that the RMA determines that the balance of payments situations necessitates, it may require the AD I to withdraw specified foreign currency deposit, irrespective of their maturity, and transfer the proceed to the RMA.

## 11. AUTHORIZED DEALER II

### a) Foreign Exchange License of AD II:

- i) AD I and other persons authorized by the RMA may apply for a license to carry out money transfer operators' business in Bhutan;
- ii) License granted by the RMA to the authorized money transfer agents is valid for one year. The RMA reserves the right to cancel the license if it is not renewed within 30 days from the date of its expiry; and
- iii) AD I and II are required to seek prior written approval from the RMA before appointing a sub-agent.

### b) Foreign Exchange Transaction by AD II:

- i) The AD I and other persons authorized by the RMA to carry out remittance activities as authorized money transfer agent may receive inward remittance by means of money order and other acceptable international money transfer instrument in foreign currency through an AD I;
- ii) AD I & II shall credit the proceed of any inward remittance in foreign currency to the specified beneficiary's account or cash payout in Ngultrum at the applicable exchange rate on the day of the transactions;
- iii) The proceed of inward remittance shall be paid to the beneficiary after deducting applicable commission and charges if any;
- iv) Shall comply to Anti-Money Laundering and Combating the Financing of Terrorism Act 2018, Anti-Money Laundering and Combating the Financing of Terrorism Rules and Regulations 2022 and relevant regulations and amendments thereto to the extant prevalent for executing any foreign exchange transactions; and
- v) Ensure that "Guide on Customers Due Diligence" issued by the Financial Intelligence Department is complied in respect to any receipt and payment of foreign currency;



- c) Rules and regulations governing the inward remittance shall be issued by the RMA from time to time for compliance by an AD I and AD II.

## 12. AUTHORIZED DEALER III

- a) Foreign Exchange License of AD III:
- i) Any person other than an AD I may apply for a license from the RMA to carry out money changing business in Bhutan;
  - ii) The license granted by the RMA shall be;
    - specific for specific location approved;
    - valid for one year; and
    - non-transferable.
  - iii) License granted by the RMA shall be valid for one year and the renewal thereafter shall be based on the performance of the business. Application for renewal shall be received by the RMA within 30 days prior to the expiration of the current license; and
  - iv) The RMA reserves the right to revoke authorized money changer's license issued under these rule and regulation.
- b) Foreign Exchange Transaction by AD III
- i) AD III is authorized to buy foreign currency in the form of bank note and traveler's cheque from any person visiting Bhutan;
  - ii) May only deal in convertible currency and Indian rupee;
  - iii) May be eligible for an exchange commission applicable on the foreign exchange transaction determined by the RMA from time to time;
  - iv) Shall comply to Anti-Money Laundering and Combating the Financing of Terrorism Act 2018, Anti-Money Laundering and Combating the Financing of Terrorism Rules and Regulations 2022 and relevant regulations and amendments thereto to the extant prevalent for executing any foreign exchange transactions; and
  - v) Ensure that "Guide on Customers Due Diligence" issued by the Financial Intelligence Department is complied in respect to any receipt and payment of foreign currency.

- c) Exchange Rate
  - i) Obtain from the RMA the daily buying exchange rate determined by the RMA for all foreign currency;
  - ii) The effective rate on a holiday shall be the rate prevailing on the last working day proceeding such holiday; and
  - iii) Conduct permitted foreign exchange transactions at the determined exchange rate.

## **CHAPTER IV: PAYMENT ARRANGEMENTS**

### **13. GENERAL TERMS FOR PAYMENTS, RECEIPTS AND TRANSFERS**

- a) Any payment, receipt and transfer between resident, and between resident and non-resident within Bhutan shall be made in Ngultrum;
- b) All payment, receipt and transfer for trade in goods and services to and from India shall be made in Indian Rupee or unless otherwise approved by the RMA upon verification of bona fide of the transactions;
- c) Any payment, receipt, and transfer for trade in goods and services to or from Nepal shall be made in convertible currency or Indian Rupee;
- d) All payment, receipt, and transfer for trade in goods and services to third country shall be made in convertible currency only;
- e) All payment, receipt, and transfer of foreign currency shall not be permitted for trade in prohibited goods issued by relevant agency;
- f) Payment and transfer of foreign currency for trade in restricted goods shall be made upon submission of permit to import issued by relevant agency;
- g) Notwithstanding, Section 13 a) - f), Foreign Direct Investment company shall meet all its operational expenses in convertible currency from its own convertible currency earning of the business and same will be applicable for operational expenses in Indian Rupee; and
- h) Payment, receipt and transfer with respect to current and capital transactions not explicitly provided for in these rules and regulations and in excess of the limit prescribed by the RMA shall not be made except with the approval of the

RMA/Government. RMA's approval of such transaction shall be provided upon verification of the bona fide of the transaction.

#### 14. ELECTRONIC FUND TRANSFER CARDS

- a) An AD I may independently or in association with credit and debit card company, international bank or financial institution abroad, issue international credit or debit card to their account holder;
- b) The RMA shall set the credit or spending limit that will apply to any international credit, debit or prepaid card issued from time to time;
- c) Any amount owed on international credit, debit or prepaid cards must be settled in full in Bhutanese Ngultrum except for those international credit, debit, or prepaid cards issued against foreign currency accounts which shall be settled by debit to the respective foreign currency account maintained with the issuing AD I; and
- d) An AD I issuing international credit or debit card may settle any outstanding balance with their international counterparty in foreign currency through normal banking channel.

### **CHAPTER V: CURRENT TRANSACTIONS**

#### 15. TRANSACTIONS FOR IMPORT OF GOODS

- a) Payment for import of goods may be made through normal banking channel subject to any conditions prescribed by the RMA from time to time;
- b) Payment for import of goods from third country may be remitted in convertible currency based on the import license or any other document issued in lieu of an import license by the Ministry of Economic Affairs;
- c) Goods imported shall be declared to the Department of Revenue and Customs at the point of entry as prescribed under the Customs Rules and Regulations of Bhutan 2017 and amendment thereto;
- d) An AD I may execute advance payment for import of goods into the country, where the contract so requires. An importer executing such payments shall submit evidence of the goods having entered Bhutan within 180 days from the date of executing the advance payment to AD I;

- e) The import of capital goods in convertible currency for manufacturing industries shall be as follows:
  - i) RMA shall provide convertible currency requirements for the import of capital goods based on the project proposal approved by the Royal Government of Bhutan for the Local Manufacturing Industry; and
  - ii) For FDI Company, the local investor's share of convertible currency may be provided by the RMA to meet the initial capital investment for the FDI in cases where the foreign investor's equity in the project is insufficient to meet convertible currency requirement for purchase of capital goods.
- f) The import of permissible raw materials in convertible currency for manufacturing industries shall be as follows:
  - i) RMA shall provide convertible currency requirement for the import of raw materials for newly established Manufacturing Industries as a start-up support and proprietary raw materials approved by the Royal Government of Bhutan;
  - ii) Manufacturing industries with earnings in convertible currency maybe allowed to avail convertible currency for import of raw materials from third country through their foreign currency account with prior approval of RMA; and
  - iii) Notwithstanding, Section 15 f), the RMA may provide Local Manufacturing Industries with convertible currency for import of raw materials from third countries subject to the conditions prescribed by RMA from time to time.

#### 16. TRANSACTIONS FOR EXPORT OF GOODS

- a) Receipts of export proceeds shall be received through normal banking channel, subject to any conditions prescribed by the RMA from time to time;
- b) Goods exported shall be declared to the Department of Revenue and Customs at the point of exit as prescribed under the Customs Rules and Regulations of Bhutan 2017 and amendment thereto; and
- c) Export proceeds shall be received within 180 days after the declaration of goods at customs point of exit or as per the letter of credit.

## 17. TRANSACTION FOR IMPORT AND EXPORT OF SERVICES

- a) Payment, receipts and transfers for import and export of services may be made through normal banking channel, subject to any conditions prescribed by the RMA from time to time;
- b) An AD I may execute advance payment for import of services into the country, where the contract so requires. An importer executing such payments shall submit evidence of the services availed to AD I; and
- c) Export proceeds shall be received within 180 days from the date of export of the services or as per the letter of credit.

## 18. FREIGHT AND TRANSPORTATION COST

- a) An importer holding valid business license and or import license to import may remit foreign currency to pay for actual freight and transportation cost incurred in connection with such import through normal banking channel;
- b) An exporter holding valid business license to export may remit foreign currency to pay for actual freight and transportation cost incurred in connection with their exports through normal banking channel; and
- c) Notwithstanding, Sections 18 a) and b), a person authorized to import and export goods and services to and from India may apply to avail Indian Rupee in cash from one of the AD I in Bhutan subject to conditions prescribed by RMA from time to time.

## 19. PASSENGER TRAVEL EXPENSES

- a) Travel ticket purchased for resident and non-resident in Bhutan shall be paid in Ngultrum;
- b) Notwithstanding, Section 19 a), travel ticket purchased for a foreign national abroad by Bhutanese travel or ticketing agent shall be received in foreign currency from abroad through normal banking channel; and
- c) A person residing in Bhutan may remit foreign currency from an AD I to any valid travel or ticketing agent abroad to pay for travel ticket/tour purchased for travel abroad from an AD I.

## 20. OFFICIAL TRAVEL

- a) Travel abroad by official of the Royal Government of Bhutan and its agencies or autonomous bodies which is financed by the Royal Government of Bhutan, and its agencies, autonomous bodies, external donor or sponsor, or out of the fund of externally financed project shall be regarded as official travel for purpose of these rules and regulations;
- b) An official may apply to AD I to avail foreign currency in cash for the duration of the travel based on the daily subsistence allowance (DSA) rate approved by the Ministry of Finance. For related cost, such as airfare, living expenses, etc. an official may make the payment directly abroad through the normal banking channel or obtain a bank draft; and
- c) Release of the approved foreign currency for official travel may be made against a letter signed by an authorized signatory of the concerned ministry, department or agency or by way of a cheque drawn on such account.

## 21. BUSINESS TRAVEL

- a) Travel abroad by resident, for carrying on 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 study, attending seminar, conference, trade fair, or exhibition or for selection or import of capital good, machinery and raw material, etc. shall be regarded as Business travel;
- b) An official may apply to AD I to avail foreign currency in cash for the duration of the travel based on the daily subsistence allowance (DSA) rate approved by the Ministry of Finance;
- c) Foreign currency account holder may avail travel allowance by debit to their foreign currency account maintained with the bank;
- d) For related costs such as airfare, living expenses, and others, an official may make the payment directly abroad through banking channel or obtain a bank draft; and
- e) Notwithstanding, Section 21 a) to d), multilateral organizations that are externally funded with establishments in Bhutan, may provide DSA rate approved by their organization.

## 22. MEDICAL RELATED TRAVEL

- a) Travel abroad by residents for purpose of medical treatment or examination, accompanied by one escort, if necessary, on the recommendation of a medical specialist shall be regarded as medical related travel;
- b) Resident may apply to avail foreign currency in cash to meet en-route expense within the limit prescribed by the RMA from time to time;
- c) The residents may make payment related to medical treatment including medicine and associated living expense directly abroad or obtain a bank draft upon submitting required documents to the AD I; and
- d) If the cost of treatment exceeds the amount availed initially, the balance amount due to the hospital may be transferred, directly to the hospital or medical service provider's bank account or to the Royal Bhutanese Embassies, Consulate General or Liaison offices' account abroad based on a letter with cost estimate and bank account details provided by the hospital. Any family member or representative of the patient in Bhutan can submit the document to the AD I to process the payment.

## 23. EDUCATION RELATED TRAVEL

- a) Travel abroad by resident for the purpose of undertaking or resuming a course of study or training shall be regarded as education related travel;
- b) Student may apply to avail foreign currency in cash, to meet en-route expense within the limit prescribed by the RMA from time to time; and
- c) Resident may make payment for tuition fee, living allowance and additional educational related expense including, such as rent, mess fees and etc. directly abroad or apply for international student debit/prepaid card issued by an AD I or obtain a bank draft.

## 24. PRIVATE TRAVEL

Resident may apply to AD I to avail foreign currency as part of travelling allowance when travelling abroad in cash or in international debit/credit card as per the limit prescribed by the RMA from time to time.

## 25. INSURANCE SERVICE

- a) Insurer licensed by the RMA may apply to remit foreign currency to make payment for current transaction related to insurance, reinsurance or retrocession product and service as allowed under Section 251 of the Financial Services Act of Bhutan 2011; and
- b) Bhutanese resident shall not insure abroad for any insurance business emanating within Bhutan except for the persons specified by the RMA from time to time.

## 26. PAYMENT FOR OTHER SERVICES

- a) Residents may make payment in foreign currency from an AD I to pay for the following services upon submission of the documentary evidence:
  - i) Computer and information related fees;
  - ii) Charges use for intellectual fees;
  - iii) Visa fee;
  - iv) Other business services fees (Research and Development, Legal, Consultancy, Marketing, Advertising, Accounting, Management, Membership, Publication, Lab test, etc.); and
  - v) Any other fee determined to be bona fide by the RMA.
- b) Notwithstanding, Section 26 a), an FDI company may make payment of royalties, technical services or management fees, remuneration and changes in accordance with the respective agreement as approved by Royal Government of Bhutan with prior approval from RMA.

## 27. FAMILY REMITTANCES

Resident individuals may remit the earnings or retirement benefits through AD I as per the conditions prescribed by the RMA from time to time.

## **CHAPTER VI: CAPITAL TRANSACTION**

### 28. INWARD FOREIGN DIRECT INVESTMENT

- a) Bhutanese company with foreign shareholding approved by the Royal Government of Bhutan and subject to the terms and conditions of the FDI policy, as announced by the RGOB from time to time, may:



- i) Receive the foreign investment in the approved currency of investment through normal banking channel within 6 months up to a maximum period of 3 years from the date of opening of foreign currency account;
  - ii) With prior approval from the RMA, the FDI may repatriate dividend in the currency of earnings based on self-sufficiency, namely that the cumulative net currency earnings of the company are sufficient to cover the amount of these transactions;
  - iii) Notwithstanding, Section 28 a) i), for service activity in the priority list where the investment in the project was made in the convertible currency and the earnings are in the currencies other than convertible currency, the FDI company shall be allowed to purchase from the RMA convertible currency up to USD 5 million per annum for repatriation of dividend;
  - iv) Notwithstanding, Section 28 a) i), in case of FDI businesses where the investment in the project was made in convertible currency and earnings are in Indian Rupee, the foreign investor shall be permitted to repatriate dividend in convertible currency with prior approval from the RMA; and
  - v) Repatriate capital and realized capital gain in foreign currency, net of tax on capital gain through an AD I 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.
- b) Such entities shall open and maintain a foreign currency account as per Section 34 of these rules and regulations.

## 29. EXTERNAL COMMERCIAL BORROWING

- a) An eligible borrower who has been approved by the Royal Government of Bhutan to avail external commercial borrowing from non-resident lenders shall;
  - i) Register with the RMA within 15 days from the date of approval with the copy of loan agreement including terms of loan and repayment structure thereof;
  - ii) Entity shall meet its repayment obligations from its earnings in foreign currency;

- iii) Remit all proceeds of ECB to the borrower's foreign currency account in Bhutan within 6 months up to a maximum period of 3 years from the date of approval of ECB or as per the terms in the approved contract agreement;
- iv) Utilize the ECB proceeds only to make capital expenditure as specified in the ECB guideline issued by the Royal Government of Bhutan from time to time;
- v) Notify the RMA for any draw down on the ECB including remittance of installment of principle, interest and other charges on the ECB;
- vi) Payment of interest and amortization on ECB in accordance with the respective agreement as approved by Royal Government of Bhutan with prior approval from RMA; and
- vii) Prepayment of ECB would be permitted to a maximum of USD 5 million per loan, if met out of the inflow of foreign equity or if the net foreign currency earnings of the borrower is sufficient to cover with prior approval from RMA.

### 30. OTHER INWARD INVESTMENT

- a) Bhutanese entity may receive investment into funds in convertible currency as approved by the RMA either from time to time in accordance with the relevant Rules and Regulations adopted or to be adopted by the RMA hereafter;
- b) Bhutanese entity shall open and maintain foreign currency account for the fund with an AD I in Bhutan with prior approval from the RMA;
- c) All transactions related to the fund shall be routed from this foreign currency account maintained with an AD I in Bhutan; and
- d) Repatriation of return on investment and initial investment in currency of investment shall be routed through an AD I with the prior approval of the RMA.

### 31. IMMOVEABLE PROPERTY

- a) Payment in connection with lease or similar transaction related to immoveable property located in Bhutan by non-resident may only be made in Ngultrum, except with the prior approval of the RMA; and
- b) Payment, receipt or transfer of foreign currency for resident 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.

### 32. INVESTMENT ABROAD

- a) Bhutanese citizens shall not make any payment to acquire, hold or dispose off any foreign security which is issued or payable outside Bhutan except with the prior approval of the RMA;
- b) Payment payable to set up and maintain overseas offices by any Bhutanese citizen, firm, and company shall not be made except with the prior approval of the RMA; and
- c) Payment in connection to set up or participate in any concern outside Bhutan engaged in any activity of trading, commercial or industrial nature, whether such concern is a body corporate shall not be made except with the prior approval of the RMA.

### 33. ROYAL GOVERNMENT AND ITS AGENCIES AND PUBLIC-SECTOR ENTITIES

- a) For any capital-intensive project that is externally funded, requiring substantial foreign exchange payment, the Government and its agency and public-sector entity shall inform the RMA prior to granting approval; and
- b) Notwithstanding, Section 33 a), if the capital-intensive project is self-financed by an entity, the Government and its agency and public-sector entity shall seek prior approval of the RMA before approving the project.

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

### 34. FOREIGN CURRENCY ACCOUNTS IN BHUTAN

- a) The following person may be permitted to open and maintain foreign currency account with AD I in Bhutan under these rules and regulations:
  - i) permanent diplomatic or consular missions of foreign government and international organization in Bhutan and their staff who are remunerated in convertible currency;
  - ii) representative office of donor agency and their staff who are foreign citizen;
  - iii) contracting firm engaged to execute project approved by the Royal Government and financed by donor agency, and their staff who are foreign citizen;
  - iv) Bhutanese exporters exporting goods and services to India and third country;

- v) person receiving grant, donation or similar inward remittance in convertible currency for project that have been approved by the Royal Government;
  - vi) Bhutanese citizens stationed outside Bhutan for higher study, training, employed abroad or having earning in foreign currency;
  - vii) Non-Government Organizations approved by the Civil Society Organization Authority and Dratshang Lhentshog for raising funds outside Bhutan.
  - viii) Bhutanese Local Manufacturing Industries with earnings in foreign currency; and
  - ix) Any other person or category of person specified by the RMA.
- b) With prior approval from RMA, the following entities shall open:
- i) FDI companies shall open and maintain FC accounts in the currency of investment and earnings with prior approval from the RMA;
  - ii) Entities availing ECB shall open FC accounts in the currency of borrowing with prior approval from the RMA; which shall be used for the purpose of remitting all proceed of ECB and repayment of borrowing and related transaction accruing to the ECB; and
  - iii) The FC account opened shall be used for debit and credit of only related transaction accruing to the entity.
- c) The foreign currency account opened by the person described under section 34 a) of these rules and regulations shall be closed upon expiry of contract period or when the entity ceases to operate.

### 35. DOMESTIC CURRENCY ACCOUNTS IN BHUTAN

- a) The following foreign individual or an entity may open and maintain domestic currency account with AD Is in Bhutan:
- i) foreign national legally employed in Bhutan;
  - ii) diplomatic and consular mission of foreign government and international organization located in Bhutan and their staff who are not citizens of Bhutan;
  - iii) a person that is either registered or incorporated in Bhutan and their staff who are not citizens of Bhutan; and
  - iv) Foreign Individuals married to Bhutanese citizen.

- b) The domestic currency account opened by the foreign individual or an entity described under section 35 a) of these rules and regulations shall be closed upon expiry of contract period, employment or when the entity ceases to operate.

### 36. FOREIGN CURRENCY ACCOUNTS ABROAD

- a) A Bhutanese person may not open and maintain foreign currency account abroad except for the following:
  - i) diplomatic and consular mission of Bhutan located abroad and their staff;
  - ii) AD I with prior approval of the RMA;
  - iii) Bhutanese citizens stationed outside Bhutan for higher study, training, or employment abroad;
  - iv) public corporation and trust fund approved by the Royal Government of Bhutan with regular operation abroad; and
  - v) Any other person specified by the RMA.
  
- b) The foreign currency account opened by the person described under Section 36 a) of these rules and regulation shall be closed upon completion of their term.

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

### 37. MAINTENANCE OF RECORDS

- a) The following persons shall maintain foreign exchange transaction records for a minimum period of ten years:
  - i) AD I;
  - ii) AD II;
  - iii) AD III;
  - iv) RMA's Exchange counter;
  - v) FDI Companies;
  - vi) ECB borrowers;
  - vii) Local Industries; and
  - viii) FC Account holders;

- b) Other persons authorized by the RMA to engage in foreign exchange transactions in Bhutan; and
- c) Records required to be maintained under these rules and regulations maybe 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.

#### 38. REPORTING BY AUTHORIZED DEALER I

- a) AD I shall input all foreign exchange transactions effected by the bank in the system developed by the RMA or in the reporting format provided in the Foreign Exchange Operational Guidelines. The banks shall report on the following matters to the RMA;
  - i) Daily/Weekly Indian Rupee balances (opening and closing), and credits and debits;
  - ii) Daily/Weekly third country currency balances (opening and closing), and credits and debits;
  - iii) All receipts and payments for exports and imports of goods and services to and from India;
  - iv) All receipts and payments for exports and imports to and from third countries;
  - v) Monthly information on the opening and closing of any foreign currency accounts in Bhutan;
  - vi) Monthly information on the closing of any domestic currency accounts of non-residents or foreign citizens in Bhutan;
  - vii) Monthly statements on international credit and debit cards issued;
  - viii) Monthly reporting of inflow and outflow of foreign exchange on account of all international cards issued; and
  - ix) Monthly cash releases made for current transactions namely, education, medical, private travel, business travel, official travel, etc.

#### 39. REPORTING BY AUTHORIZED DEALER II

AD II shall record and report to the RMA in accordance with the provisions of Chapter VII of Inward Remittance Rules and Regulations 2016.

#### 40. REPORTING BY AUTHORIZED DEALER III

An AD III shall input all transaction relating to purchase of foreign currency in the AMC system developed by the RMA. Simultaneously, report the following matters to the RMA no later than 15th day of the following month:

- a) Monthly consolidated statement of Foreign Exchange Purchases made on a daily basis shall be submitted to the RMA on a monthly basis as per Annexure II;
- b) Bank deposit slips evidencing the deposit of foreign exchange purchased shall be submitted to the RMA on a monthly basis; and
- c) Reports shall be submitted to the RMA using the most efficient channel, such as secure file transfer and electronic real-time reporting systems.

#### 41. REPORTING BY OTHERS

Other entities not described above sections to be quoted of these rules and regulations shall report on the following matters:

- a) Department of Revenue and Customs shall report to the RMA with the list of individuals who have declared at the customs point of entry having carried foreign currency more than the limit prescribed under Section 7 c) of these rules and regulations as an required;
- b) Bhutanese companies with approved FDI shall provide annual data on royalties, technical and management fees, profits and dividends paid, and any other inflows;
- c) Persons approved to avail ECB shall submit documentary evidence of the receipt of the ECB proceed and any draw down on the ECB proceeds to the RMA within 15 days from the date of receipt;
- d) Quarterly data from the insurance companies/re-insurance companies on foreign currency payments and receipts;
- e) The Trust Fund for Environmental Conservation to provide audited annual financial statements; and
- f) Government agencies approved to carry out capital-intensive projects.

## **CHAPTER IX: MONITORING AND INSPECTION**

42. The RMA shall carry out periodic inspection of the entity carrying out foreign exchange transaction in Bhutan including person specified under Section 37 in the form of off-site and/or on-site inspection. The entity shall furnish detail and document, if required, to the inspection team deputed by the RMA in accordance with Chapter VIII of these rules and regulations. Procedure for inspection shall be laid out in the inspection manual drafted by RMA from time to time.

## **CHAPTER X: OFFENCES AND PENALTIES**

### **43. PENALTIES**

A person shall be liable to a fine or any other penalty prescribed under Penalty Rules and Regulations 2019 and amendment there to.

## **CHAPTER XI: MISCELLANEOUS**

### **44. IMMUNITIES OF GOVERNMENT AGENCIES AND MARKET PARTICIPANTS.**

- a) The RMA, members, officers, employees of the RMA shall enjoy immunity in the exercise of their duties under these rules and regulations, as provided in the RMA Act; and
- b) Government entities other than the RMA, their members, officers and employees along with authorized persons, their members, officers and employees shall not be liable to any action in damages for anything done or omitted to be done in the exercise of performance of any power or duty conferred or imposed under these rules and regulations unless the Act or omission is shown to have been in bad faith.

### **45. GENERAL CLAUSE**

The authority reserves the right to issue any directives or notifications to the Authorized Dealers, licensees or to the financial services providers of the general public in the overall national interest.

### **46. DEFINITIONS**

In these rules and regulations, unless the context otherwise requires:



- a) “AD I” means commercial bank licensed by the Royal Monetary Authority of Bhutan;
- b) “AD II” means any legal entity other than AD I approved by the RMA to carry out remittance activities in Bhutan;
- c) “AD III” means a person for the time being authorized under Chapter III 12 to deal in foreign exchange in Bhutan;
- d) “Board” means the Board of the Royal Monetary Authority of Bhutan as defined by the RMA Act 2010;
- e) “Bank note” and “Circulation coin” means currency note and coin which are legal tender in Bhutan;
- f) “Capital account” transactions mean transactions for the purpose of transferring capital including transactions involving foreign direct investment, portfolio investment, the acquisition of real estate or interest in real estate, and loans, guarantees and deposits other than normal short-term banking and credit facilities;
- g) “Capital Goods” shall mean goods that are used by an entity to help increase future production including plant and machinery;
- h) “Convertible Currency” means foreign currency denominated in Australian Dollar, Canadian Dollar, Danish Kroner, Euros, Hong Kong Dollar, Japanese Yen, Norwegian Kroner, Singapore Dollar, Swedish Kroner, Swiss Franc, United Kingdom Pound Sterling, or United States Dollar;
- i) “Current account” transactions mean transaction other than a capital account transaction and without prejudice to the generality of the foregoing such transaction includes:
  - i) Payments due in connection with foreign trade, other current business, service, and short-term banking and credit facilities in the ordinary course of business;
  - ii) Payments due as interest on loans and as net income from investments;
  - iii) Remittances for living expenses of parents, spouse and children residing abroad; and
  - iv) Expenses in connection with foreign travel, education and medical care of parents, spouse and children.
- j) “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;

- k) "Exchange Memo" means a memo issued by AD IIIs / AD Is dealing in money changing business upon each sale/purchase of foreign currencies;
- l) "Family remittances" shall mean remittance of or earnings or retirement benefits by foreign workers employed in Bhutan;
- m) "Foreign Currency" is any currency other than Bhutanese Ngultrum;
- n) "Foreign currency account" means a bank account denominated in foreign currency;
- o) "Foreign Exchange" means bank note, coin, cheque, draft, letter of credit, bills of exchange, promissory note, deposit, and credit and balance expressed or drawn in foreign currency;
- p) "Foreign Exchange Earning" means proceed from export of goods and services to a country, and returns from foreign investment, denominated in convertible currency and Indian Rupee;
- q) "Fund" includes investment fund, venture capital fund and any other funds;
- r) "International credit or debit card" means a credit or debit card capable of being used abroad that has been issued by an AD I;
- s) "Inward foreign direct investment" means foreign direct investment as defined in the Royal Government's Foreign Direct Investment Policy 2019;
- t) "Import license" means a document issued by Ministry of Economic Affairs permitting import of goods from a third country;
- u) "Money Order" shall mean money order services to and from India only;
- v) "Non-resident" means a person who is not a resident of Bhutan and includes
  - i) branches, offices, and agencies in Bhutan of non-residents; and
  - ii) diplomatic and consular missions of foreign governments and international organizations located in Bhutan and their staff who are not citizens of Bhutan;
- w) "Non-convertible currency" means any foreign currency other than convertible currency and Indian Rupee;
- x) "Outward foreign direct investment" means outward foreign direct investment as specified in the Royal Government's rules and regulations Relating to the Possession of Assets and Properties outside Bhutan by Bhutanese Citizens, 1993;
- y) "Person" means an individual or juridical entity, whether incorporated or not;

- z) "Prohibited goods" means any good, for which the import or export is not allowed under the Customs Act of Bhutan 2021 and amendments thereto and any other laws in force;
- aa)"Raw Materials" shall mean those items that are used as direct inputs in the manufacturing process and forming part of finished products;
- bb)"Restricted goods" means goods on which limitations shall apply to the quantity or quality of the imported or exports of goods under the Customs Act of Bhutan 2021 and amendments thereto or any other laws in force;
- cc)"RMA" means Royal Monetary Authority of Bhutan;
- dd) "Resident" means:
  - i) an individual who stays in Bhutan for a period of 183 days or more during a 12-month period;
  - ii) a person that is either registered or incorporated in Bhutan and includes any office, branch or agency of such person located in Bhutan or abroad; and
  - iii) diplomatic or consular missions of Bhutan located abroad and their staff who are citizens of Bhutan.
- ee) "Third country" means a foreign country other than India.

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