



BANK OF PAPUA NEW GUINEA

PRESENTATION TO AUTHORISED DEALERS

ENHANCED DUE DILIGENCE ON MONITORING, COMPLIANCE AND REPORTING BY AUTHORISED DEALERS

By

**ECONOMICS DEPARTMENT
BANK OF PAPUA NEW GUINEA**

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OUTLINE OF PRESENTATION

Part 1 – Objectives of Presentation

Part 2 – General Guidance on Performing Compliance Checks

Part 3 – Purpose of Compliance Checks

Part 4 – Taxation Clearance Requirements

Part 5 – Foreign Exchange Manuals

Part 6 – Central Bank Approvals

Part 7 – Compliance Checks for Inflows

Part 8 – Compliance Checks for Outflows

Part 9 – Summary and Way Forward



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PART 1: OBJECTIVES

Objective 1	Remind Authorised Dealers of their Responsibility
Objective 2	Remind Authorised Dealers to Follow Guidance and Perform Compliance Checks



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PART 2: RESPONSIBILITY OF AUTHORISED DEALERS

ROLE – Have Delegated Responsibility of Assess and Process Foreign Exchange Transactions

Number	General Guidance on Performing Compliance Checks
1	All Supporting Documents must be submitted and Assessed
2	Consistency Checks Across All Sources of Documents Must be Done
3	Lead Checks must be Completed
4	Ownership and Title must be clearly Established
5	Ultimate Beneficiary must be clearly Established
6	Tax Haven Transactions Must Not be Processed
7	Compliance with BPNG Approvals & Conditions must be Checked
8	Compliance with Taxation Requirements must be Checked
9	IPA Requirements must Checked & Completed



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PART 3: PURPOSE OF COMPLIANCE CHECKS

Purpose 1	Ensure Reliability of Data is Not Compromised for Policy and Compliance Functions of the Central Bank
Purpose 2	Foreign Exchange Reserves are Managed in a Sustainable Manner and Used for the Development of Papua New Guinea



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PART 4: TAXATION CLEARANCE REQUIREMENTS

IRC Approval	Approval Form	When Required?
Taxation Clearance Certificate (TCC)	TCC Form	Making a Remittance that is Subject to Production of a TCC
Remittance Requirements	TCC Required	When Required?
Any Amount	Yes	When the Annual Cumulative Limit of K500,000.00 has been Exceeded
Amount over K500,000.00	Yes	A Remittance Amount Exceeding K500,000.00
Amount below K500,000.00	No	<ul style="list-style-type: none">▪ TCC is Not Required▪ Annual Cumulative Limit of K500,000.00 has Not been Exceeded
Tax Haven Remittance	Yes	Any amount of Remittance for Any Purpose
Non-Tax Haven Remittance	Yes	When the K500,000.00 Annual Cumulative Limit has been Exceeded



PART 5: FOREIGN EXCHANGE MANUALS

COMPLIANCE WITH EXISTING FOREIGN EXCHANGE MANUALS

MANUAL, SUPPORTING DOCUMENT & REQUIREMENT AND CHECK

Manual	Requirements & Supporting Document	Check
Foreign Exchange Manual	<ul style="list-style-type: none"> ➤ List FE Notices and Requirements ➤ Reference for Central Bank Approvals ➤ List of BOP Forms and When to Complete Them ➤ Lists Supporting Documents 	<ul style="list-style-type: none"> ▪ Ensure Consistency Checks are Completed across All Sources of Data and Information for a Transaction ▪ Ensure Compliance with All Requirements of a Transaction ▪ Ensure All Requirements set out in All Three Manuals are Complied with
Summary Foreign Exchange Guidelines	<ul style="list-style-type: none"> ➤ Summary of Reporting Requirements ➤ Summary of Compliance Requirements ➤ Reference for Central Bank Approvals ➤ Summary of Reporting Forms ➤ List Supporting Documents 	Same as for Foreign Exchange Manual
Foreign Exchange Reporting Framework	<ul style="list-style-type: none"> ➤ Has Detailed Guidance and Process ➤ List All Supporting Documents Required ➤ For Sourcing of Information and Completion of Relevant BOP Forms 	Same as for Foreign Exchange Manual



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PART 6: CENTRAL BANK APPROVALS

Approval	Approval Form	When Required?
Gold Export Licence	Letter	Export of Gold and Silver (Precious Metals)
Approval to Export Precious Metals	Form-G	Prior to Shipment of Precious Metals
Approval of Non-Resident Guarantee	Form-G1	Issuance of Guarantees in Favour of a Non-Resident
Foreign Currency Account (FCA) Approval	Letter	Opening a FCA in PNG or Abroad
Approval for Domestic Contract	Letter	Two or more Residents enter into a Contract Denominated in Foreign Currency
Approval to Remove or Send Physical Currency	Form-C1	Removal of Physical Currency in Notes and Coins exceeding K20,000.00 (or Foreign Currency Equivalent)



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PART 7: INFLOWS

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK		
Purpose	Supporting Document	Check
Export Receipt	<ul style="list-style-type: none"> ➤ Sale and Purchase Agreement ➤ Commercial Invoice ➤ Customs Form 15 & Form-G ➤ BOP Form-X ➤ Tax Registration 	<ul style="list-style-type: none"> ▪ Business ▪ Country ▪ Currency ▪ Exporter ▪ Value ▪ IPA Number ▪ Importer ▪ Volume ▪ Tax Number ▪ Term (FOB) ▪ Unit Price ▪ BPNG Approval ▪ Form 15 Number ▪ Check Market
Transfer from Offshore Account	<ul style="list-style-type: none"> ➤ BPNG Approval to be Produced ➤ BOP Form-R2 ➤ Tax Registration & Form-G 	<ul style="list-style-type: none"> ▪ Business ▪ Country ▪ IPA Number ▪ Recipient ▪ Currency ▪ Tax Number ▪ Sender ▪ Value
	<ul style="list-style-type: none"> ➤ Exporter 	Request for Supporting Documents



PART 7: INFLOWS (CONT'D)

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK		
Purpose	Supporting Document	Check
Loan Drawdown	<ul style="list-style-type: none"> ➤ Loan Agreement ➤ Credit Note or Drawdown Notice ➤ BOP Form-LA & Form-L1 ➤ Tax Registration 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender ▪ Country ▪ Currency ▪ Value ▪ IPA Number ▪ Tax Number ▪ BPNG Approval
Loan Interest Receipt	<ul style="list-style-type: none"> ➤ Loan Agreement ➤ BOP Form-LB & Form-L2(B) ➤ Tax Registration 	Same as Loan Drawdown
Equity Investment	<ul style="list-style-type: none"> ➤ Equity Agreement ➤ BOP Form-V1 ➤ Tax Registration 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender ▪ Country ▪ Currency ▪ Value ▪ IPA Number ▪ Tax Number ▪ BPNG Approval
Dividend Receipt	<ul style="list-style-type: none"> ➤ BOP Form –R2 ➤ Tax Registration 	Same as Equity Investment
Sale or Liquidation of Investment	<ul style="list-style-type: none"> ➤ BOP Form –V4 ➤ Tax Registration 	Same as Equity Investment



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PART 8: OUTFLOWS

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK			
Purpose	Supporting Document	Check	
Import Payments	<ul style="list-style-type: none"> ➤ Sale and Purchase Agreement ➤ Commercial Invoice ➤ Customs Form 15 ➤ BOP Form-M ➤ Tax Registration 	<ul style="list-style-type: none"> ▪ Business ▪ Exporter ▪ Importer ▪ Term (FOB) ▪ Form 15 Number 	<ul style="list-style-type: none"> ▪ Country ▪ Value ▪ Volume ▪ Unit Price ▪ Check Market ▪ Currency ▪ Tax Haven ▪ IPA Number ▪ Tax Number ▪ BPNG Approval
Transfer to Offshore Account	<ul style="list-style-type: none"> ➤ BPNG Approval to be Produced ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender 	<ul style="list-style-type: none"> ▪ Country ▪ Currency ▪ Value ▪ Tax Haven ▪ IPA Number ▪ Tax Number
	<ul style="list-style-type: none"> ➤ Importer 	Request for Supporting Documents	
Business Payment	<ul style="list-style-type: none"> ➤ Contract ➤ Commercial Invoice ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender 	<ul style="list-style-type: none"> ▪ Country ▪ Currency ▪ Value ▪ Tax Haven ▪ IPA Number ▪ Tax Number ▪ BPNG Approval
Lease Payment	<ul style="list-style-type: none"> ➤ Same as Business Payment 	Same checks as Business Payment	
Insurance Payment	<ul style="list-style-type: none"> ➤ Cover Policy ➤ Commercial Invoice & Form-R1 ➤ Broker Authorisation & TCC 	<ul style="list-style-type: none"> ▪ Business ▪ Names of Parties ▪ Name of Broker 	<ul style="list-style-type: none"> ▪ Country ▪ Currency ▪ Value ▪ Tax Haven ▪ IPA Number ▪ Tax Number ▪ BPNG Approval



PART 8: OUTFLOWS (CONT'D)

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK

Purpose	Supporting Document	Check
Transfer to JV Account	<ul style="list-style-type: none"> ➤ BPNG Approval to be Produced ➤ BOP Form-R1 ➤ Tax Registration 	<ul style="list-style-type: none"> <li style="width: 33%;">▪ Business <li style="width: 33%;">▪ Country <li style="width: 33%;">▪ Tax Haven <li style="width: 33%;">▪ Recipient <li style="width: 33%;">▪ Currency <li style="width: 33%;">▪ IPA Number <li style="width: 33%;">▪ Sender <li style="width: 33%;">▪ Value <li style="width: 33%;">▪ Tax Number <li style="width: 33%;">▪ BPNG Approval
	➤ Exporter	Request for Supporting Documents
Communication Payment	<ul style="list-style-type: none"> ➤ Contract ➤ Commercial Invoice ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> <li style="width: 33%;">▪ Business <li style="width: 33%;">▪ Country <li style="width: 33%;">▪ Tax Haven <li style="width: 33%;">▪ Recipient <li style="width: 33%;">▪ Currency <li style="width: 33%;">▪ IPA Number <li style="width: 33%;">▪ Sender <li style="width: 33%;">▪ Value <li style="width: 33%;">▪ Tax Number <li style="width: 33%;">▪ BPNG Approval
Education Payment	<ul style="list-style-type: none"> ➤ Letter from School or Sponsor ➤ Commercial Invoice ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> <li style="width: 33%;">▪ Business <li style="width: 33%;">▪ Country <li style="width: 33%;">▪ Tax Haven <li style="width: 33%;">▪ Recipient <li style="width: 33%;">▪ Currency <li style="width: 33%;">▪ IPA Number <li style="width: 33%;">▪ Sender <li style="width: 33%;">▪ Value <li style="width: 33%;">▪ Tax Number <li style="width: 33%;">▪ BPNG Approval
Medical Payment	<ul style="list-style-type: none"> ➤ Letter from Hospital or Sponsor ➤ Commercial Invoice ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> <li style="width: 33%;">▪ Business <li style="width: 33%;">▪ Country <li style="width: 33%;">▪ Tax Haven <li style="width: 33%;">▪ Names of Patient <li style="width: 33%;">▪ Currency <li style="width: 33%;">▪ IPA Number <li style="width: 33%;">▪ Patient Assistant <li style="width: 33%;">▪ Value <li style="width: 33%;">▪ Tax Number <li style="width: 33%;">▪ BPNG Approval



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PART 8: OUTFLOWS (CONT'D)

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK		
Purpose	Supporting Document	Check
Family Maintenance	<ul style="list-style-type: none"> ➤ BOP Form-R1 ➤ Passport ➤ Employment Contract & TCC 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender ▪ Country ▪ Currency ▪ Value ▪ Tax Haven ▪ Frequency & Value
Gifts & Grants	Same as Family Maintenance	Same as Family Maintenance
Lease Payment	<ul style="list-style-type: none"> ➤ Contract (Lease Agreement) ➤ Commercial Invoice ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender ▪ Country ▪ Currency ▪ Value ▪ Tax Haven ▪ IPA Number ▪ Tax Number ▪ BPNG Approval
Transportation	Same as Lease Payment	Same as Lease Payment
Construction Services	Same Lease Payment	Same as Lease Payment
Computer & Information	Same as Lease Payment	Same as Lease Payment
Management Fee	Same as Lease Payment	Same as Lease Payment
Royalty Fee	Same as Lease Payment	Same as Lease Payment



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PART 8: OUTFLOWS (CONT'D)

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK		
Purpose	Supporting Document	Check
Licence Fee	<ul style="list-style-type: none"> ➤ Contract (Licence Agreement) ➤ Commercial Invoice ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender ▪ Country ▪ Currency ▪ Value ▪ Tax Haven ▪ IPA Number ▪ Tax Number ▪ BPNG Approval
Other Financial Service	Same as Licence Fee	Same as Licence Fee
Tax Payment	<ul style="list-style-type: none"> ➤ An Valid Order for Payment ➤ Invoice ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender ▪ Country ▪ Currency ▪ Value ▪ Tax Haven ▪ IPA Number ▪ Tax Number ▪ BPNG Approval
Superannuation Fund	<ul style="list-style-type: none"> ➤ Letter from Super Fund ➤ BOP Form-R1 ➤ Tax Registration & TCC 	Same as Tax Payment
Compensation of Employee	<ul style="list-style-type: none"> ➤ Letter from Employer ➤ Employment Contract ➤ BOP Form-R1 ➤ List of Names (More than one) ➤ Tax Registration & TCC 	Same as Tax Payment



PART 8: OUTFLOWS (CONT'D)

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK		
Purpose	Supporting Document	Check
Travel Payment	<ul style="list-style-type: none"> ➤ Commercial Invoice ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> <li style="width: 33%;">▪ Business <li style="width: 33%;">▪ Country <li style="width: 33%;">▪ Tax Haven <li style="width: 33%;">▪ Recipient <li style="width: 33%;">▪ Currency <li style="width: 33%;">▪ IPA Number <li style="width: 33%;">▪ Sender <li style="width: 33%;">▪ Value <li style="width: 33%;">▪ Tax Number <li style="width: 33%;">▪ BPNG Approval
Interest Payment (Not Loan)	<ul style="list-style-type: none"> ➤ Confirmation Letter ➤ BOP Form-R1 ➤ Tax Registration & TCC 	Same as Travel Payment
Guarantee Payment	<ul style="list-style-type: none"> ➤ Produce BPNG Approval ➤ BOP Form-G1 ➤ BOP Form-R1 ➤ Tax Registration & TCC 	Same as Travel Payment
Removal or Export of Physical Currency in Cash (Public)	<ul style="list-style-type: none"> ➤ Confirmation Letter ➤ Confirmed e-ticket with Number ➤ Current Passport ➤ BOP Form-C1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> <li style="width: 33%;">▪ Business <li style="width: 33%;">▪ Country <li style="width: 33%;">▪ IPA Number <li style="width: 33%;">▪ Purpose <li style="width: 33%;">▪ Currency <li style="width: 33%;">▪ Tax Number <li style="width: 33%;">▪ Recipient <li style="width: 33%;">▪ Value <li style="width: 33%;">▪ BPNG Approval <li style="width: 33%;">▪ Sender <li style="width: 33%;">▪ Tax Haven



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PART 8: OUTFLOWS (CONT'D)

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK		
Purpose	Supporting Document	Check
Government Services (n.i.e.)	<ul style="list-style-type: none"> ➤ Supporting Documents ➤ BOP Form-R1 	<ul style="list-style-type: none"> ▪ Business ▪ Recipient ▪ Sender ▪ Country ▪ Currency ▪ Value
Cultural & Recreational Services	<ul style="list-style-type: none"> ➤ Supporting Documents ➤ BOP Form-R1 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> ▪ Business ▪ Purpose ▪ Recipient ▪ Sender ▪ Country ▪ Currency ▪ Value ▪ Tax Haven ▪ IPA Number ▪ Tax Number ▪ BPNG Approval



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PART 8: OUTFLOWS (CONT'D)

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK		
Purpose	Supporting Document	Check
Loan Repayment	<ul style="list-style-type: none"> ➤ Loan Agreement ➤ Debit Note or Payment Notice ➤ BOP Form-LA & Form-L2 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> <li style="width: 33%;">▪ Business <li style="width: 33%;">▪ Country <li style="width: 33%;">▪ Tax Haven <li style="width: 33%;">▪ Recipient <li style="width: 33%;">▪ Currency <li style="width: 33%;">▪ IPA Number <li style="width: 33%;">▪ Sender <li style="width: 33%;">▪ Value <li style="width: 33%;">▪ Tax Number <li style="width: 33%;">▪ BPNG Approval
Loan Interest Payment	Same as Loan Repayment	Same as Loan Repayment
Equity Redemption	<ul style="list-style-type: none"> ➤ Equity Agreement ➤ Signed & Dated Board Resolution ➤ BOP Form-V2 ➤ Tax Registration & TCC 	<ul style="list-style-type: none"> <li style="width: 33%;">▪ Business <li style="width: 33%;">▪ Country <li style="width: 33%;">▪ Tax Haven <li style="width: 33%;">▪ Recipient <li style="width: 33%;">▪ Currency <li style="width: 33%;">▪ IPA Number <li style="width: 33%;">▪ Sender <li style="width: 33%;">▪ Value <li style="width: 33%;">▪ Tax Number <li style="width: 33%;">▪ BPNG Approval
Dividend Payment	<ul style="list-style-type: none"> ➤ Audited Financial Statements ➤ Signed & Dated Board Resolution ➤ Year Dividends Declared ➤ Tax Registration & TCC ➤ Form R1(D) 	Same as Equity Redemption
Branch Profits	Same as Dividend Payment	Same as Equity Redemption



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PART 8: OUTFLOWS (CONT'D)

COMPLIANCE CHECKS

PURPOSE, SUPPORTING DOCUMENT AND CHECK

Purpose	Supporting Document	Check
Foreign Investment	<ul style="list-style-type: none">➤ Agreement (Contract)➤ Signed & Dated Board Resolution➤ BOP Form-V3➤ Tax Registration & TCC	<ul style="list-style-type: none">▪ Business▪ Recipient▪ Sender▪ Country▪ Currency▪ Value▪ Tax Haven▪ IPA Number▪ Tax Number▪ BPNG Approval▪ Frequency

Note that the Central Bank reserves the right to request for any other relevant information or documents not covered in the Slides



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PART 9: SUMMARY AND WAY FORWARD

Authorised Dealers

- Have a duty to implement compliance checks on foreign exchange transactions
- Invest time, effort and resources to ensure proper and adequate compliance checks are done

Way Forward

- BPNG will do audits and conduct training for Staff of Authorised Dealers
- Authorised Dealers are to use the Slides for Guidance and Training
- Authorised Dealers need to use the Foreign Exchange Manuals issued by BPNG to Train and Develop Capacity of their Line Staff



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End of Presentation

Thank you