Bank of Ghana

**Press Release**

REVIEW OF RECENT FOREIGN EXCHANGE MEASURES

**Ladies and gentlemen of the Press,**

1. You may recall that, in pursuance of its mandate under the Foreign Exchange Act 2006 (Act 723), the Bank of Ghana on February 4, 2014 issued three (3) notices on:

(a) Operations of foreign exchange accounts (FEA) and foreign currency accounts (FCA),

(b) Repatriation of Export Proceeds, and

(c) Additional Operating Procedures for Forex Bureaux in Ghana.

This was followed by a subsequent notice clarifying the foregoing notices on February 13, 2014.

1. The measures contained in the notices sought to introduce clarity, transparency and streamline operations in the foreign exchange markets. The measures were not aimed at re-introducing exchange controls as perceived by sections of the general public and the international community.
2. At the MPC press conference on April 2, 2014, the Governor of the Bank of Ghana indicated that these measures would be evaluated after three (3) months.
3. The purpose of this gathering is to share with you, the preliminary findings following a review done by the Bank and actions to be taken to ensure that the original objectives of the measures are achieved while minimizing any adverse consequences.
4. The review process involved an analysis of the available data on developments in the cedi/dollar exchange rate, foreign currency deposits as well as remittances. In addition, there were consultations with stakeholders including identifiable groups and individuals.
5. From the consultations with stakeholders, a section was in favour of retaining the measures and called for efforts to monitor compliance. Another group was of the view that the challenges are more structural and would require fiscal solutions, trade diversification and change in the retention policy and therefore the measures should be reversed. A third group recommended that some aspects of the measures should be reviewed.
6. The analysis of data did not support the notion that the measures caused a reduction in foreign exchange inflows. There was a decline in inflows in February but this was reversed in March 2014 in line with observed seasonal patterns. Developments in the GHS/USD exchange rates have shown that the pace of depreciation has slowed. Monthly depreciation declined steadily from a peak of 7.8 percent in January, to 2.7 percent in May 2014. The analysis further showed that certain aspects of the new measures were constraining the businesses of exporters and importers. Therefore, there is the need to streamline these aspects in order to plug the leakages and enhance the supply of foreign exchange to the markets.
7. The revisions include the following:
8. The 60-day mandatory repatriation of export proceeds has been reversed and aligned to the terms agreed between trading parties. For example, where the sales contract stipulates that the exporter will be paid within seven (7) days, the funds should be repatriated within the same period. Similarly, if the contract is for 120 days, the funds should be repatriated within that period.
9. The 5-day mandatory conversion of export receipts into Ghana cedis is reversed. Exporters can now retain up to 60 percent of their export receipts in their FEAs, and the remaining 40 percent converted at market rates within 15 working days.
10. With the allowance of 60 percent retention to exporters, the margin account will no longer be required for such exporters. However, importers may continue to use the margin account (operated by the banks on their behalf) to build up foreign exchange to be used exclusively for the purpose for which it is open.
11. Exporters of goods and services may receive payment in foreign currency from non-residents. By implication, hotels, educational institutions, etc. may receive payment from non-residents in foreign currency. The service providers should lodge these proceeds in their FEAs. These receipts are also subject to the retention and conversion arrangements in (ii) above.
12. Without prejudice to the limit of $10,000 withdrawal per travel, and the $10,000 annual transfer without documentation, over-the-counter cash withdrawals from FCA and FEA would be permitted up to a limit of $1,000 or its equivalent per transaction in foreign currency.
13. The threshold for transfers abroad without initially submitting documentation has been increased from $25,000 to $50,000. Where documentation in respect of a transfer remains outstanding, any subsequent import transaction by the importer, irrespective of value, can only be made on prior provision of documentation required for the current import transaction.
14. Foreign currency loans may be granted by resident banks for international trade-related transactions. To minimize disruption to contracts already entered into by banks and their clients, all undrawn balances on foreign currency facilities can now be drawn in the original currency.
15. To assist importers who purchase goods from multiple sources abroad, the Bank of Ghana in collaboration with banks will:
    1. Encourage the use of non-cash instruments (plastic cards) by traders.
    2. Increase the limits on cards beyond $10,000 (but not exceeding $50,000) to meet their legitimate needs. This should be supported on return by relevant documentation as in the case of (vi) above.
    3. Encourage the use of currencies of Ghana’s major trading partners, such as the Chinese Yuan, which is already available, instead of the US dollar as the sole settlement currency.
16. The Bank wishes to emphasize that foreign exchange is freely transferable to meet legitimate external payment obligations. The Ghana cedi remains the sole legal tender in Ghana. Therefore, pricing, advertising, invoicing, receiving, and making payments for goods and services should be done in Ghana cedis, unless otherwise authorized by the Bank of Ghana.
17. Special cases for the energy sector, mining and other support services will be considered on case-by-case basis as was done before.
18. The Bank of Ghana will issue a notice reflecting these revisions. Any existing measure that is not mentioned in the forthcoming notice shall remain in force.
19. **Additional Considerations**

The Bank, in collaboration with the relevant authorities, will take additional measures aimed at plugging foreign exchange leakages and improving supply of foreign exchange into the markets.

Consequently, the Bank of Ghana will:

a) Recommend to government to review existing agreements and direct all mining, and oil & gas companies to open and operate retention accounts with Bank of Ghana or resident banks. All new retention agreements should require retention accounts to be opened and operated with domestic banks. The Bank of Ghana would guarantee the availability of foreign exchange, deposited with it, to the account holders within 24 hours of request.

1. Recommend the streamlining of management and technical service fees under LI.1547 (1992) paid to multinationals. The Bank of Ghana will engage the GIPC, Ghana Freeze Zones Board, Minerals Commission, Ministry of Energy and Mines and other stakeholders in this regard.
2. Recommend the lodgment of foreign exchange proceeds of government agencies, such as GNPC and project funds from donors, with the Bank of Ghana instead of keeping them with off-shore banks.
3. Engage the Ghana Chamber of Commerce to use the Certificate of Origin issued by the Chamber to monitor repatriation of export proceeds.
4. Initiate steps towards networking banks and forex bureaux to capture all foreign exchange flows and to eliminate any abuses.

We observed that some banks were misinterpreting and misapplying some of the measures. For example, transfers of funds from abroad that were not generated from activities that took place in Ghana, such as transfers to embassies, other diplomatic missions, individuals and businesses, were to go into FCAs and are therefore not subject to the conversion and retention arrangements. Such funds are to be held in foreign exchange and utilized at the discretion of the recipients. However, these transfers were, at times, converted on arrival – a clear misapplication of the measure.

This may be contrasted with transfers to make payment for a service – e.g. legal, consultancy, transportation, or financial – rendered by residents (Ghanaians and non-Ghanaians). Such transfers should go into FEAs because they are export receipts and are therefore subject to existing conversion and retention arrangements.

The Bank of Ghana will continue to monitor the implementation of the measures and take further actions if necessary.

For further clarifications, please contact:

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