



THE CENTRAL BANK OF SWAZILAND

**A SIMPLE GUIDE TO EXCHANGE CONTROL
IN SWAZILAND**

*ISSUED
BY CENTRAL BANK OF SWAZILAND
FOR GENERAL INFORMATION*

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THE CENTRAL BANK OF SWAZILAND

Mission

To be a stakeholder focused, values-driven organization that provides professional leadership to the financial sector.

Strategic Objectives

The Bank has identified the following strategic objectives:

- 1 Formulating and implementing sound monetary policy to achieve financial stability.
- 2 Regulate and supervise the financial sector to the end of achieving a sound and efficient financial system.
- 3 Issue and redeem currency (notes & coins), which is legal tender in Swaziland
- 4 Hold and manage foreign exchange reserves of the country.
- 5 To act as banker, advisor and agent to the Swaziland Government on monetary and financial matters.
- 6 To facilitate the development and operation of an efficient national payment system.
- 7 To act as lender of last resort to financial institutions and facilitate the development of domestic financial markets.
- 8 Conducting research on monetary, financial and economic matters to support monetary policy formulation.
- 9 To improve stakeholders relationship.

MOTTO – “WE BANK ON YOUR INPUT FOR SUCCESS”

FOREWORD

Swaziland earns foreign exchange when it sells goods and services to foreigners and uses foreign exchange when it buys foreign goods and services. Since Swaziland depends heavily on imported goods and services, it is necessary to make sure that whatever foreign exchange is earned from exports, tourism and other sources is used to the best advantage of the country as a whole. Exchange Control plays a major role in helping to achieve this important goal.

This booklet describes the exchange control practices and procedures currently in force in the Kingdom of Swaziland. It does not pretend to give coverage of this complicated subject, but rather is intended to inform the public generally about exchange control as administered by the Central Bank of Swaziland in accordance with such regulations, instructions and directives as may be issued by the Minister of Finance.

A number of exchange control functions have been delegated by the Central Bank to the four banks in Swaziland which have been designated as Authorised Dealers. This has been done, as in other countries, in order to assist the public by reducing the time and cost of obtaining exchange control approval for applications.

Because this booklet of necessity cannot give details of exchange control and because it may not be up to date as a result of changes in policies and practices introduced after its issue, it is important that the members of the public should consult their bankers before making any payments or entering into any transactions which may be subject to exchange control regulations. Authorised Dealers are immediately informed of any changes in the regulations and will be able to provide authoritative information to the public.

1. INTRODUCTION

King's Order-in-Council No. 40 of 1974 (The Exchange Control Order) repealed Act No. 98 of 1949, as amended, which formed the legal basis of exchange control in pre-independent Swaziland. The new enactment empowers the Minister for Finance to make regulations in regard to any matter directly or indirectly relating to the control of the purchase, sale and loan of foreign currency, gold and securities. To this end, The Minister promulgated the Exchange Control Regulations, 1975 (Under Legal Notice No. 2 of 1975) which in terms of Section 48 of The Central Bank of Swaziland Order as amended are administered by the Central Bank of Swaziland under such directives as the Minister may issue from time to time. Instructions and Notices issued by the Central Bank from time to time empower the Authorised Dealers (banks) to provide foreign exchange for transactions within the limits and conditions set out therein.

2. THE COMMON MONETARY AREA

Swaziland is a signatory to the Common Monetary Area (CMA) Agreement and there is an unfettered flow of funds between Swaziland, Lesotho, Namibia and the Republic of South Africa. The four combined form a single exchange control territory. Each, however, administers exchange control within its borders for transfers with the rest of the world.

3. RESIDENTIAL STATUS FOR EXCHANGE CONTROL PURPOSES

Swaziland classifies residents into those who are CMA (residents) and those of the rest of the world (non-residents). Residents are further classified as temporary or permanent residents.

3.1 Permanent Resident

A permanent resident is a person (i.e. a natural person, body corporate, foundation, trust or partnership) whether of Swazi or any other nationality who has taken up residence, is domiciled or registered in Swaziland.

3.2 Temporary Residents

Temporary residents are for exchange control purposes, natural persons of countries outside the CMA who have taken up temporary residence in Swaziland excluding those who are purely on temporary visits. The term is intended to apply mainly to contract workers, official foreign country government representatives and other expatriate personnel who are in Swaziland to take up employment that is of temporary nature and have to maintain a financial presence in their countries of normal residence. The temporary residence status is automatic for the first 6 years of residence and may, on good cause shown be extended for subsequent periods of not more than 3 years at a time. Persons recorded as permanent residents who in fact regard themselves as temporary residents, and whose normal residence is outside the Common Monetary Area should apply through their bankers for appropriate classification.

3.3 Non-resident

A non-resident is a person (i.e. natural person or legal entity) whose normal place of residence, domicile or registration is outside the CMA.

4. EXCHANGE CONTROL REGULATIONS, 1975

The regulations fall into three broader clauses, the **prohibitive, mandatory** and **punitive**.

The Prohibitive Clauses tabulate what may not be done without administrative authorisation. Residents may not, for example – take or send out of the Common Monetary Area any bank notes, gold, securities or foreign currency, or transfer any securities from the Common Monetary

Area to elsewhere; send, consign or deliver any bank notes, gold, securities or foreign currency out of the Common Monetary Area; make any payment to, or in favour or on behalf of any person resident outside the Common Monetary Area if such person is not a resident of the Common Monetary Area.

The Mandatory Clauses detail what must be done in particular circumstances e.g. permanent residents must declare and sell in the prescribed manner all foreign currency receipts.

The Punitive Clauses specify the penalties for contraventions.

5. **DEALINGS IN FOREIGN CURRENCY**

No person is permitted to hold or deal in foreign currency other than an authorised dealer. The procedure is that a resident requiring foreign currency for permissible purposes must apply through an authorised dealer, and a resident who acquires foreign currency must sell it to an authorised dealer in exchange for local currency.

Residents wishing to buy or sell foreign currencies (i.e. currencies other than Emalangi or Rand) or gold, may do so only through an authorised dealer in foreign exchange. At the time of publication hereof the four authorised dealers in the country are:

- First National Bank of Swaziland Limited
- Nedbank Swaziland Limited
- Standard Bank Swaziland Limited
- Swaziland Development and Savings Bank

6. **TYPES OF ACCOUNTS**

6.1 **Blocked Accounts**

A Blocked Account is an account in Swaziland to which Exchange Control restrictions are being applied in terms of the Exchange Control Rulings. For instance, excess balances on emigration are credited to such accounts and can only be dealt with in a manner prescribed to authorised dealers. Such balances may be used (among other things) for investments in Government Bonds, Building Society Shares or such other investments as may be approved by the Central Bank.

6.2 **Non-Resident Account**

Non-Resident Accounts are accounts maintained in the CMA on behalf of persons resident, domiciled or registered outside the CMA. Funds in these accounts may be used for payments to residents and non-residents of the CMA for any purpose and may be used to purchase foreign currency. They may only be funded with proceeds of sales to an authorised dealer of foreign currencies, payments from other non-resident accounts and payments which are not inconsistent with the authority delegated to the banks.

6.3 Resident Accounts

Resident Accounts are the accounts of persons resident, domiciled or registered in the Common Monetary Area.

6.4 Foreign Currency Investment/Deposit Accounts

Private Individuals (natural persons) resident in Swaziland and who are tax payers in good standing and over the age of eighteen years are allowed to invest up to a total of E2 000 000 outside the CMA. As another option, the investment may be deposited in foreign currency account with an Authorised Dealer.

6.5 Foreign Currency Accounts

Permanent residents and temporary residents of Swaziland and Non-residents of the CMA may open foreign currency accounts with an Authorised Dealer in Swaziland, subject to such account being funded with foreign currency emanating from sources outside the CMA and to any foreign currency accrual being retained on the account for a period not exceeding 90 days from the date on which such an accrual was first credited to the Foreign Currency Account.

At the end of the 90 days period any unutilized foreign currency accruals must be immediately offered for sale to an Authorised Dealer and converted to local currency.

7. FOREIGN BANK ACCOUNTS MAINTAINED BY RESIDENTS

Permanent Residents of Swaziland are not permitted to maintain Bank accounts outside the CMA except where special permission has been granted by the Central Bank. Foreign exchange receipts are required to be declared and offered for sale to an authorised dealer in Swaziland and may not be credited to accounts held outside without prior special exemption. People or firms intending to operate such accounts should apply to the Central Bank through their bankers giving details of the purpose of the account, the balances needed and duration of maintaining the account. Temporary residents may maintain accounts abroad.

8. FOREIGN EXCHANGE OUTPAYMENTS

Authorised Dealers have been delegated powers to approve most transactions, and persons intending to effect a transfer should consult them. Applications which are not within the powers of the bank concerned have to be submitted to the Central Bank by the authorised dealer on behalf of customers.

9. PAYMENT FOR IMPORTS

As long as the goods to be imported are covered by an import permit issued by the Ministry of Finance where required, a local importer may buy foreign currency for payment to an overseas supplier subject to the specified terms and conditions. These conditions include production of

documentation evidencing that the goods have been or are to be received in Swaziland, such as Bills of Lading, relative invoices and Parcel Post receipts, where appropriate.

Advance payments for imports are only allowed up to 33 $\frac{1}{3}$ % for capital goods and up to E250 000 for other goods. Requests for payments beyond these amounts may be submitted to Central Bank.

10. FOREIGN TRAVEL

Permanent Residents may purchase up to E160,000 worth of foreign exchange per adult per calendar year and E50,000 per child under 12 years of age per calendar year for business or holiday travel or both without distinction between countries.

It is also possible for firms to be allowed an omnibus for business travel by their employees and directors subject to approval by the Central Bank.

11. MEDICAL EXPENSES

Facilities may be provided to residents of Swaziland to cover the cost of specialised medical and dental treatment abroad provided documentary evidence confirming the amount involved is exhibited to the Authorised Dealer concerned.

12. STUDY ABROAD

Permanent residents undergoing full time courses outside the CMA may be allowed foreign exchange to cover the cost of board and lodging, books and other expenses up to a maximum of E160,000 per annum for single persons and E320,000 for married persons accompanied by their spouses. In addition, tuition, maintenance and other incidental expenses may be settled on submission of documentary evidence. An additional E50,000 per annum for single persons and those accompanied by their spouses up to E100,000 per annum may be allowed to cover travelling expenses during vacation periods. Applications for living expenses in excess of those stipulated may be submitted to Central Bank.

13. MAINTENANCE, GIFTS AND PERSONAL LOANS

Swaziland residents may transfer E9,000 per receiving family unit per month to near relatives residing outside the CMA who are in needy circumstances provided that no other person in the CMA is effecting the same transfer to the same beneficiary. Monetary gifts and loans up to E30,000 per applicant per calendar year may also be made to non-residents or residents temporarily abroad for sole purpose of study. However, gift parcels may be sent instead to the same value but excluding gold or gold jewellery.

14. CURRENT TRANSFERS BY TEMPORARY RESIDENTS

14.1 Monthly Transfers

Temporary residents may transfer to countries outside the CMA their locally earned monthly income.

Such transfers may be for monetary gifts and loans, for holiday travel, for meeting financial obligations at home (e.g. tax and insurance payments) and for other legitimate purposes.

14.2 Gratuity, Leave Pay and Bonuses/13th Cheque

Authorised Dealers may allow temporary residents to transfer gratuities, leave pay and bonuses/13th cheque provided the remittance is supported by a letter from the employer concerned and confirmation from the Commissioner of Taxes in Swaziland that tax commitments have been met.

14.3 Transfer of accumulated savings on departure from the CMA

Authorised Dealers may permit temporary residents to transfer abroad funds accumulated during their stay in Swaziland provided the individuals can substantiate the source of such funds and that the value of such funds is reasonable in relation to their income generating activities in Swaziland during the period.

15. EMIGRATION

Persons regarded as permanent residents of Swaziland for Exchange Control purposes will at the time of emigration to countries outside the CMA be accorded a settling-in-allowance of up to E4 million per family unit and E2 million for single persons at the prevailing rate of exchange. In addition emigrants will be permitted the normal travel allowance on their departure.

Further more, emigrating individuals are allowed to export household and personal effects amounting to E500 000 as well as exportation of motor vehicles, caravans, trailers and motor cycles per family unit or single person within the overall insured value of E500,000. Exportation of these items are declared on Form N.E.P.

16. IMPORT AND EXPORT OF LOCAL AND FOREIGN CURRENCY BANK NOTES

16.1 By Residents

Swaziland residents travelling to countries outside the CMA are permitted to take out foreign bank notes up to the applicable travel entitlement availed of. In addition they may import or export up to E5000 in local bank notes at any one time which must be reduced by the value of any bank notes issued by other member countries of the Common Monetary Area which are permitted to be exported or imported. The E5000 in local currency does not count against a resident's travel allowance but any foreign notes supplied should be endorsed in the traveller's passport and counted as part of the allowance.

16.2 By tourists and short term visitors

Visitors are allowed to bring with them a maximum of E5000 in local currency per person to meet initial expenses in the country, but visitors

arriving from Lesotho, Namibia and the Republic of South Africa are not restricted in this way. On departure from the CMA and within a period of 12 months of the date of arrival, visitors may take up to a maximum of E5000 in local currency bank notes and any foreign currency bank notes which can be proven to have been originally imported by them or which represents the proceeds of foreign currency traveller's cheques or other instruments of exchange sold through Authorised Dealers.

17. CAPITAL TRANSFERS, CAPITAL ISSUES, SECURITIES AND LOCAL BORROWING BY NON-RESIDENTS

17.1 Inward Transfer of Investment Funds into Swaziland

(i) It is government policy to encourage foreign investment in the country. As a consequence, the inflow of capital by non-residents is welcomed. However, to avoid inconvenience on subsequent repatriation of income accruing there from, all capital transfers into Swaziland from outside the CMA should be effected through Authorised Dealers, i.e. either in foreign currency direct or in local currency through a non-resident account and the funds documented on the appropriate Exchange Control Form for inward transfers.

(ii) Loans

Transfers of loan funds into Swaziland from outside the Common Monetary Area must have the prior approval of the Central Bank of Swaziland.

Applications should be submitted through a local bank (Authorised Dealer) and be supported by the relative loan agreement.

17.2 Capital Issues

Raising capital in Swaziland by issue of bonds, shares etc. in aggregate amounts of more than E100,000 during a period of 12 months requires approval. Applications in this connection, supported by the relevant details, should be routed through a bank in Swaziland for consideration by the Central Bank.

17.3 Local borrowing by non-residents

Non-resident persons, and companies that are more than 25% directly or indirectly non-CMA owned or controlled need prior Exchange Control approval of the Central Bank before raising loans or bank overdrafts or advances within the CMA. Non-residents are, of course, expected to arrange a fair share of required funds from their own sources.

17.4 Transactions in securities between residents and non-residents

Dealings in both resident and non-resident owned or controlled securities by residents and by non-residents require prior approval. “Security” means any share, stock, bond, debenture stock, unit certificate and includes any letter or other document conferring or containing any evidence of right in respect of any security.

17.5 Foreign Portfolio Investments by Institutional Investors

(i) Long Term Insurers and Pension Funds

Long Term Insurers and Pension Funds may apply to the Central Bank to avail of foreign currency transfers in the current year of up to 10% of the net inflow of funds during the previous calendar year, to acquire foreign portfolio investments in SADC and elsewhere, subject to the overall limit of 15% of their total assets.

(ii) Unit Trusts Through Unit Trust Management Companies

Unit Trusts through Unit Trust Management companies may apply to the Central Bank to avail of foreign currency transfers in the current year of up to 10% of the net inflow of funds during the previous calendar year, to acquire foreign portfolio investments in SADC and elsewhere, subject to the overall limit of 20% of their total assets under management.

18. DIVIDENDS AND PROFITS, INTEREST, DIRECTOR'S FEES AND ROYALTIES

18.1 Dividends and profits

As part of government policy in attracting foreign investment, dividends derived from current trading profits are freely transferable on submission of documentation (including latest annual financial statements of the company concerned) subject to provision for non-resident shareholders tax.

Local credit facilities may not be utilized for paying dividends.

18.2 Interest

Authorised Dealers may allow the transfer for non-residents of interest income on loans granted to residents provided they are satisfied that the acceptance of the loan as well as the interest rate payable, were approved by Exchange Control.

18.3 Director's Fees

Companies having Directors whose normal place of residence is permanently outside the CMA can remit Director's fees against proof of non-resident status and copy of resolution of the Board confirming the amount to be paid to the beneficiary.

18.4 Royalties

Payment to non-residents in respect of royalties and fees arising from the use of patents, trade marks, copyrights, designs etc. may be made on the basis of agreements which have received Exchange Control clearance.

19. FOREIGN EXCHANGE RECEIPTS**19.1 General**

It is desirable and necessary for the good of the country's Balance of Payments that all receipts whether directly in foreign currency or indirectly by a claim to foreign currency shall be repatriated promptly. All foreign currencies accruing directly and indirectly to residents must within a period of thirty days after accrual be sold to an authorised dealer in exchange for local currency. It must be emphasized that permanent residents may not maintain accounts abroad without prior approval.

19.2 Merchanting transactions

Authorised Dealers may authorise merchanting trade by Swaziland residents against supporting letters of credit and relevant agreements amongst the parties, provided firm arrangements are made to ensure that no payment is made to the foreign supplier until payment has been received from the foreign importer (buyer) in an approved manner, fully covering such payment and the Swaziland merchant's profit levied.

19.3 Exports

When goods are exported, a declaration that export proceeds will be repatriated in the prescribed manner and within the stipulated period has to be made (through a bank) and submitted to Customs or Postal Authorities. Export proceeds must be sold to an authorised dealer in exchange for local currency. It should be noted that exporters may not waive or delay receipt of payment for more than six months after shipment or 30 days after accrual. Special Exchange Control approval should be obtained for any permissible and necessary disbursements to be charged against foreign exchange proceeds.

19.4 Other income in foreign exchange (invisible exports)
By law, residents are obliged to repatriate amounts due to them from non-residents and to sell such amounts to an authorised dealer in exchange for Emalangeni. These would include dividends, interest, profits, salaries, wages, director's fees, commissions etc.

19.5 Borrowing abroad
Residents are not permitted to borrow funds from abroad without prior approval. In genuine cases and on reasonable terms, approval is not unnecessarily withheld; the approval carries with it the understanding that payment of the principal and interest will be authorised on due dates.
