Foreign Exchange Control

Why do we have foreign exchange controls?

Most small island economies such as Samoa administer foreign exchange controls.

For a long time, Samoa has always imported more than what it can afford to export for its economic development. While private remittances and tourism earnings have helped meet the shortfall in our foreign exchange reserves, such sources of foreign inflow of funds can be unpredictable and at times unsustainable.

The administration of foreign exchange controls was one of the features of the Monetary Board from 1975 to 1984, and were continued to be enforced by the Central Bank of Samoa when it took over in 1984.

Foreign exchange controls were put in place with a primary aim – to carefully manage our very limited pool of foreign exchange reserves that are required for the payment of importing goods and services alongside the servicing of overseas debts.

In the beginning, some people were frustrated by these controls. However, most members of the public have become more understanding, tolerant and appreciative of its purpose over the years.

The Central Bank will review its stance on an annual basis, in an effort to ensure consistency with prevailing liquidity and economic conditions and further improve the administration of its Foreign Exchange Control policies.

At the same time, CBS will make available on its website its Foreign Exchange Control Information Booklet to ensure the general public and business community can easily understand the role of these exchange controls.

Relaxation of regulations since 1998

As part of the Government's extensive Economic Reform Program since the mid-1990s, CBS implemented a series of reforms in the domestic financial system and the external sector.

In July 2000, CBS eliminated or relaxed exchange control requirements.

There are now no more controls for current payments in the balance of payments. Where there are some requirements, these are only for monitoring and statistical purposes.

What changes were made?

Central Bank of Samoa permits for the importation of motor vehicles and capital equipment were abolished in July 2000.

Prevailing limits on the commercial banks authority to make advanced import payments were abolished as well as those made under open account.
Similarly, paper work requirements regarding certification of import and export documentations were streamlined and simplified to assist members of the public. For example, import entries no longer require CBS or commercial bank certification or stamping prior to their presentation to the Customs Department.

The authority to make payments for overseas commitments under current payments used to require prior CBS approval, but that has been delegated to the commercial banks and authorised foreign exchange dealers over the years.

Capital payments in the balance of payments, however, still require prior CBS approval. There has hardly been a case in which capital payment applications were not approved by CBS. But when there was, such decisions were generally made based on prevailing liquidity and economic conditions.

Current procedures

Applications for Foreign Currency Deposit Accounts for residents, Export procedures, Repatriation of Capital and Income, Offshore Investment, Insurance Payments, among other capital transactions, must obtain prior approval from Central Bank, with a submission of relevant supporting documents as required.

Refer to the CBS Exchange Control Information Booklet available on www.cbs.gov.ws for more information.

Benefits to the public

The implementation of Foreign Exchange Controls helps ensure Samoa's existing foreign exchange reserves are comfortably sufficient to cover any of Samoa's payments commitments to the rest of the world, as well as provide a buffer for any unforeseen economic shocks.