

GUIDELINES ON THE OPERATION OF FOREIGN CURRENCY 'A' ACCOUNTS

From 1 July 1990 and up to 20 September 1991 both residents and non-residents were permitted to open foreign currency "A" accounts, which enjoyed certain privileges including the benefit of tax free interest. Following the repeal of that regime effective 23 September 1991, the applicable regulatory position in relation to "A" accounts was, and continues to be as outlined below.

- 1) New "A" accounts may **only** be established for non-residents of Jamaica.
- 2) Residents of Jamaica are **not** permitted to open new "A" accounts. Residents are however allowed to maintain their **existing** (pre 23 September 1991) "A" accounts in operation until all proceeds therein are **withdrawn** or fully used. Residents **cannot add to the existing balances held in such accounts except to the extent of interest earned by these accounts.**
- 3) To qualify as an account that would be considered eligible for designation as an 'A' account by the Bank of Jamaica, the following must obtain. The account must :
 - (a) be held with an approved person (i.e. a commercial bank; a merchant bank or a building society);
 - (b) be denominated in foreign currency;
 - (c) be held in the name of and operated by a person not resident in Jamaica;
 - (d) be comprised of monies derived from foreign exchange sources outside of Jamaica; and
 - (e) be credited and debited in accordance with the procedures established by the approved person to ensure that the provisions at (a) – (d) are upheld.

(Refer: the Income Tax (Specified Account) (Fifth Schedule) Directions, 1996 issued by the Bank of Jamaica.)

- 4) Reporting requirements to the Bank of Jamaica, include the following:
 - (i) the balances in "A" accounts should be captured and reported on the licensed institution's monthly 'Foreign Assets and Liabilities' prudential return.
 - (ii) while "A" accounts are not taxable they are subject to reserve requirements and as such are to be captured on the monthly 'Return of Foreign Currency Cash Reserves and Liquid Assets'.
- 5) Under section 12 (ac) and (ad) of the Income Tax Act, an institution that wishes to avail its clients of the tax-free benefits of these types of accounts must prove to the Commissioner of Income Tax that the requirements outlined at paragraph 2(a)–(e) above herein, have been met and that the account/(s) have been designated 'A' accounts by the Bank of Jamaica. In this regard, institutions should check with the Commissioner of Inland Revenue regarding the specific reporting requirements that may be applicable to that authority.
- 6) As regards the general operation of these accounts, it should be

noted that:

- (i) Institutions must ensure that the necessary '**Know Your Customer**' requirements are administered prior to accepting foreign currency 'A' deposits. (Refer the requirements as detailed in Section IV – 'Know Your Customer' (KYC) 'Know the Transaction Counterparty' Policy and Procedures – of the **2004 (Revised March 2007) BOJ Guidance Notes on the Detection and Prevention of Money Laundering and Terrorist Financing Activities** which is accessible on the Bank of Jamaica website at: <http://www.boj.org.jm/pdf/amlcftGuidancenotesmarch2007.pdf>
- (ii) In support of the KYC requirements, the institution must also obtain the following information pertinent to the prospective account holder:
 - Identification
 - Proof of address
 - Two references
 - Proof that funds were derived from sources outside of Jamaica
 - The bona fides of the source such funds
- (iii) It is also a requirement that the institution in knowing its customer, will undertake routine evaluation to ensure that the characteristics of the account continue to meet the stipulations for "A" accounts including the requirements under the Income Tax Act. Where the accounts are not found to be operating in accordance with the Act, the Bank of Jamaica will require regularization, failing which the account will be required to be closed.

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and
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