

Instruction CPO/CEB/2001/04

On Transactions with Foreign Currency Deposit Accounts

I. Authority

The Central Payments Office (CPO) issues this Instruction pursuant to the provisions of section 25.a of UNTAET Regulation 2000/6 dated 20 January 2000 that assigns responsibility to the CPO to issue and implement instructions governing foreign exchange transactions and instrumentalities. The objective of the present Instruction is to define the transactions that can be done using foreign currency deposit accounts consequent on UNTAET Regulation 2001/14 of 20 July 2001.

II. Foreign Currency Deposits

1. Banks may open deposit accounts denominated in any foreign currency on behalf of any person.
2. The deposit accounts shall be credited only for inward transfers or payments from abroad, payment of interest and purchasing of foreign currencies from the bank at which the account is held. Banks may also, at their sole discretion, accept foreign currency notes for deposit to such accounts.
3. The foreign currency deposit accounts shall be used only for outward remittances and payments to bank accounts domiciled in countries other than East Timor, deduction of bank fees and charges and purchasing of the official currency of East Timor from the bank at which the foreign currency account is held.
4. No internal debt, contract or transaction can be paid by such denominated foreign currency deposit accounts since according to UNTAET Regulation 2001/14 dated 20 July 2001 payments shall be made in the official currency of East Timor – the US\$ - only.
5. Depositors can, however, use their balances in foreign currency for the purchasing of the official currency of East Timor.

III. Interest

Banks may pay interest on denominated foreign currency deposits accounts at freely negotiable rates.

IV. Foreign Exchange Transactions

1. Banks and currency exchange bureaus may conduct any foreign currency transaction permitted by the appropriate Regulation or by their license, including the sale and purchase of foreign currency notes, traveler's cheques and similar instruments.
2. No restriction is imposed on exportation of foreign currencies by UNTAET Regulation 2001/14, of 20 July 2001.

V. Definitions

Wherever used in this Instruction,

(a) "banks" means any institution licensed by the Central Payments Office to operate in East Timor according to UNTAET Regulation 2000/8 dated 25 February 2000.

(b) "*Central Payments Office*" means the Central Payments Office of East Timor as established pursuant to UNTAET Regulation No. 2000/6.

(c) "*deposit*" is defined on UNTAET Regulation 2000/8 dated 25 February 2000.

(d) "*foreign currency(ies)*" means any currency, other than the official currency of East Timor as provided by UNTAET Regulation 2001/14, of 20 July 2001.

(e) "*person*" means:

(i) a natural person;

(ii) a company or other juridical entity, wherever incorporated;

(iii) a partnership, wherever formed;

(iv) a trust, wherever established;

(v) a business registered pursuant to UNTAET Regulation No. 2000/4, or

(vi) any other incorporated or unincorporated association or body.

VI. Entry into force

The present Instruction shall enter into force upon signature.

August 13, 2001

Fernando DePeralto
General Manager, Central Payments Office

Guideline to Banks:

Considering that:

According to UNTAET Regulation 2001/14 dated 20 July 2001 (hereinafter: the "Regulation") the US dollar is the legal tender and the official currency of East Timor for the settlement or payment of any debt or obligation.

Section 4.3 of the "Regulation" provides that any debt or obligation created prior to and existing on 20 July 2001 denominated in a foreign currency may, at the option of the parties to such private debt or obligation, be settled in such foreign currency or the official currency of East Timor.

The physical importation of any foreign currency is under restriction and depends on previous permission from the Central Payments Office according to the "Regulation" and Instruction CPO/CEB/2001/2 dated 30 July 2001.

Instruction CPO/CEB/2000/x dated August 2001 permits banks to maintain deposits accounts denominated in foreign currencies only for transactions abroad.

With the purpose of:

The avoidance of the risks of assuming liabilities that banks would not be able to honor in the future;

The facilitation of bank management and efficiency,

The CPO issues the present guidelines:

Banks are recommended to issue a letter to any customer holding a balance on July 20 2001 in a foreign currency deposit account informing that:

1. After July 20 2001 deposits in foreign currency may be hold only for transactions with parties abroad;
2. To avoid keeping two foreign currency deposit accounts for each depositor, the bank will operate the foreign currency deposit accounts existent prior to the date of the letter according to Instruction CPO/CEB/2001/0x, dated August 2001, after 10 September 2001.
3. The foreign currency deposit accounts may be used only for outward remittances and payments to bank accounts domiciled in countries other than East Timor, deduction of bank fees and charges and purchasing of the official currency of East Timor from the bank at which the foreign currency account is held. The accounts can receive credits only for inward transfers or payments from abroad, payment of interest and purchasing of foreign currencies from the bank at which the account is held.

4. Optionally, until 10 of September 2001 the depositor can:

- a) convert the balance in a deposit in the official currency of East Timor;
- b) close the account, withdrawing any remaining balance.