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October 20, 1993

To: Members of the Executive Board

From: The Secretary

Subject: Modification of Exchange Regulations in the West African Monetary Union

Attached for the information of the Executive Directors is a paper on a modification of the exchange regulations in the West African Monetary Union.

Mr. Sacerdoti (ext. 38514) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

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INTERNATIONAL MONETARY FUND

Modification of Exchange Regulations in the West African Monetary Union

Prepared by the African Department and the Monetary and Exchange Affairs Department

(In consultation with the Legal Department and the Policy Development and Review Department)

Approved by Mamoudou Touré and Manuel Guitián

October 19, 1993

The member countries of the West African Monetary Union (UMOA) 1/ have suspended, with effect from August 2, 1993, the repurchase of CFA franc bank notes of their common central bank (BCEAO) in circulation outside the territories of the CFA franc zone. 2/ Accordingly, foreign central banks outside the territories of the CFA franc zone have also ceased to accept these bank notes. The authorities have stated that the measure is intended to stem the outflow of capital through the export of bank notes, and it is not intended to involve the introduction or intensification of restrictions on payments and transfers for current international transactions. The convertibility of the CFA franc into French francs through authorized financial intermediaries remains guaranteed.

Following the CFA franc repurchase suspension decision, the UMOA member countries adopted new regulations modifying the foreign exchange allocation provisions for travel abroad, based on a draft prepared by the BCEAO. The regulations are uniform among the seven member countries.

The new regulations distinguish between travel to the BCEAO countries, the BEAC countries, France and the Comoros, and travel to countries outside the franc zone. 3/ Previously, no limits or controls were applied to travel allowances to all franc zone countries; however, travelers to franc zone countries not members of the UMOA had to declare the amount of bank notes exported in excess of a threshold ranging from CFAF 150,000 to

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1/ Benin, Burkina Faso, Côte d'Ivoire, Mali, Niger, Senegal, and Togo.

2/ The member countries of the Bank of Central African States (BEAC), namely Cameroon, the Central African Republic, Chad, Congo, Equatorial Guinea, and Gabon, have also taken the same decision. A similar information notice on these countries' exchange regulations will be issued upon promulgation of the regulations.

3/ The franc zone is defined to include the BCEAO countries, the BEAC countries, France, and Comoros.

CFAF 250,000 according to the countries. The new regulations do not modify the regime for travel within the UMOA member countries, for which no restriction applies.

For travel to the other franc zone countries (BEAC countries, France, and the Comoros), the new regulations establish limits pertaining to the amount of bank notes that can be taken out by travelers (BCEAO bank notes up to a limit of CFAF 2 million 1/ for trips to BEAC countries, and bank notes for the equivalent amount for trips to France and the Comoros). Amounts in excess of these limits can be taken out in the form of means of payment other than bank notes. In addition, travellers to BEAC countries, France, and the Comoros and other countries are required to declare in writing, at the exit from their country, all the means of payment at their disposal; this requirement did not exist before.

For travel outside the franc zone countries, the new regulations adopted by the UMOA member countries have revised upward the previous limits as follows. For tourism travel, the limits have been raised from a range of CFAF 100,000-250,000 a person a year according to the different UMOA countries (the equivalent of half of this amount for children) to a uniform ceiling of CFAF 500,000 (about US$1,800) without limits on the number of trips or differentiation by the age of the traveler. For business travel, the limits have been increased from a range of CFAF 20,000-25,000 per day and CFAF 250,000-400,000 a trip according to the countries to a uniform ceiling of CFAF 75,000 per day (about US$250 per day) within the limit of one month, corresponding to a maximum of CFAF 2,250,000. 2/ Business travel allowances can be cumulated with tourism allowances. Allowances in excess of these limits are subject to the authorization of the respective Ministries of Finance or, by delegation, the BCEAO.

The use of credit cards, which have to be issued by resident financial intermediaries and approved by the respective Ministries of Finance, is limited to the ceilings indicated above for tourism and business travel to non-UMOA countries. Under the previous regime, the regulations provided for limits to credit card use only in the cases of Burkina Faso and Togo, with a ceiling corresponding to half of the travel allocation for tourism or business; in the other UMOA countries, the use of credit cards was not regulated.

With regard to the repatriation by resident travelers of means of payment, the previous regulations maintained complete freedom regarding the importation of bank notes and coins issued by the BCEAO, the Bank of France, and any bank of issue of the franc zone. Residents bringing in foreign bank notes or other means of payment in excess of CFAF 5,000 were required, in

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1/ About US$7,100.

2/ Under the previous regulations, travelers to non-franc zone countries could, in addition to their foreign exchange allocation, take out an amount of BCEAO bank notes of CFAF 25,000 (CFAF 20,000 for Senegal).

Benin, Burkina Faso, Côte d'Ivoire, Niger, and Togo, to declare them to customs upon entry and sell them to a financial intermediary within eight days. In Mali and Senegal declaration and sale was required for all amounts of means of payment. The new regulations introduce for all UMOA countries a uniform requirement of declaration at customs and of surrendering within eight days all means of payment exceeding the equivalent of CFAF 25,000 (about US$90) remaining in their possession.

With regard to nonresident travelers, the new provision introduced a uniform requirement to declare upon entry all foreign exchange. Previously, a declaration upon entry was required only to justify the re-export of foreign currency in excess of a threshold, which ranged from the equivalent of CFAF 25,000 to the equivalent of CFAF 175,000 according to the UMOA countries. 1/ The re-exportation of means of payment other than bank notes issued abroad and registered in the name of the nonresident traveler is free. As previously, means of payment in foreign exchange and registered in the name of the traveler can be exported without limits, subject to documentation that they have been purchased with funds drawn from a foreign account in CFA francs, or with other foreign exchange. The regulations revise upward to a uniform limit of CFAF 250,000 the amount of foreign bank notes that can be re-exported without restriction. Re-exports of foreign bank notes above these ceilings require, as previously, documentation demonstrating either the importation of foreign bank notes, or their purchase against other means of payment registered in the name of the traveler or through the use of nonresident deposits lodged in local banks.

The monetary authorities have indicated that the limits on travel and business allowances described above are being administered liberally. The staff intend to discuss in detail the manner in which these regulations are being implemented during the forthcoming Article IV consultations with the member countries.

1/ The limits were CFAF 175,000 for Côte d'Ivoire, Togo, and Burkina Faso; CFAF 100,000 for Mali; CFAF 50,000 for Senegal; and CFAF 25,000 for Benin and Niger.