

Explanation: License Fee Matrix

1. Introduction

The license fee system, although clear and simple in its design, may lead to some discussion in connection with its application in certain actual situations. By giving standardized examples of most every-day transactions, this document provides guidelines on how to apply the license fee in any situation.

In principle, license fee is due whenever a transfer is made to abroad or foreign currency is bought. By law (P.B. 2000, no. 88), the fee is fixed at 1% of the value of the transaction and should be paid by the foreign exchange bank (FEB) to the Bank. The cost can be recovered by charging the client the official selling rate of the currency used for the transaction, which includes the license fee. In case no selling of foreign currency takes place, the client may be charged the license fee separately. FEBs are free to use lower selling rates or not charge the license fee to their clients. The amount of the fee payable to the Bank, however, cannot be influenced by such commercial decisions. The official rates must be used for these purposes.

The license fee matrix is intended to be used by the FEBs. The examples are, therefore, designed from a FEB's point of view and provide specific information on which type of transactions is subject to the license fee, whom to charge the license fee, and which exchange rate to use.

2. General description of the license fee matrix

There are four basic types of transactions: cash deposits, cash withdrawals, cash foreign exchange, and transfers (including cheques) resulting in eleven different example sheets (see table).

In each sheet, the columns are numbered 1 through 4, while the rows are coded A through E. To look up a transaction, search for the originating activity in the column headings and the appropriate counterparty in the row headings. Thus transactions can be referred to as "Cash Deposits X-Y_1C" or "Transfers X-X_3D."

Throughout the license fee matrix, the initiator of the transaction is named 'X' and the counterparty, if applicable, is classified with 'X' when it concerns the same person or entity and 'Y' when it is a different person or entity. The names are used for both residents and non-residents. For transactions involving multiple FEBs, each FEB has different 'X's and 'Y's for its part in the overall transaction.

Table

Sheetname	Description
Transfers X-X	transfers between accounts same person or entity
Transfers X-Y	transfers between accounts of different persons or entities
Cash exchange	
Cash withdrawals	
Cash deposits X-X	on accounts owned by same person or entity making the deposit
Cash deposits X-Y	on accounts of different persons or entities making the deposit
Cashing own cheque	cheque owned by person or entity cashing it
Cashing cheque X-Y	cheque owner different from person or entity cashing the cheque
Depositing own cheque	cheque owned by person or entity making deposit
Depositing cheque X-Yres	cheque owned by a resident person or entity other than the person or entity making the deposit
Depositing cheque X-Ynon-res	cheque owned by a non-resident person or entity other than the person or entity making the deposit

For each possible combination, the following information is supplied:

- The amount of license fee, if applicable, the FEB is due to the Bank.
- The amount the initiator of the transaction pays or receives, depending of the type of transaction.
- The exchange rate to be used, if applicable. "N/A" stands for "Not Applicable."
- The amount the counterparty of the transaction is charged or receives, depending of the type of transaction.
- The reporting transactions that have to be completed for the balance of payments registration, as well as the amounts to be used.

In the next paragraphs, more detailed information will be provided on some of the aspects of the license fee matrix.

3. The initiator amount

This generally is the amount the initiator intends to use for the transaction. In certain cases, however, the license fee may be charged separately. These conditions exist when the FEB cannot use the official selling exchange rate to recover the cost. See Transfers X-Y, scenarios 1C and 2D and Cash Deposits X-Y scenario 2C for examples.

It is not allowed to deduct the license fee from the transaction amount and thus charging the counterparty, unless the counterparty concerns the same person initiating the transaction (e.g., Cash deposits X-X scenarios 1E, 2E, 3D and 3E) or when a resident makes the decision to deposit a cheque on a non-resident account (e.g. Depositing check X-Yres scenario 1E).

4. Exchange rate

Although the examples only use US dollars, the same applies for other currencies. Therefore, the dollar rate of 1.77 is similar to the cash buying rate of the currency used, the dollar rate of 1.78 corresponds with the transfer buying rate, the dollar rate of 1.82 with the selling rate, and the dollar rate of 1.80 with the selling rate excluding the license fee.

Please note that the transfer buying rate is also used in situations like the Cash withdrawals scenarios 1B and 1E. These rates need only be used for transactions up to NAf. 25,000. For higher amounts, FEBs are free to determine more attractive rates for their clients.

Please note that for the completion of the required balance of payments reports, the official currency rates must be applied.

5. Reports for the balance of payments

Each scenario in the license fee matrix also provides information about the reports that have to be completed for the balance of payments. In some cases, one or two forms may be necessary; in other cases, no forms need to be completed.

In all cases that an A-transaction of cash A/C report form is necessary, the selling rate of the currency of the transaction should be used. However, note that in many cases the license fee has been excluded from the selling rate by dividing the selling rate with 1.01 to avoid double license fee charges. Similarly, for all B-transaction reports the transfer buying rate must be used and for all cash B/C report forms the cash buying rate must be used.