



AN BILLE UM RIALÚ IOMLAOIDE (BUANÚ), 1990
EXCHANGE CONTROL (CONTINUANCE) BILL, 1990

EXPLANATORY MEMORANDUM

Summary

1. The Bill is designed to continue the existing exchange control legislation in operation for a further period of two years. The present legislation, which is contained in the Exchange Control Act, 1954, as amended by the Exchange Control (Continuance and Amendment) Act, 1978, is due to expire on 31st December, 1990.

Scope of Exchange Control

2. The Exchange Control Act, 1954 is the basic legislation enabling the Minister for Finance to control foreign exchange transactions. Under that Act, controls did not apply to capital movements with the UK. Following Ireland's decision to join the Exchange Rate Mechanism of the European Monetary System (EMS), an amending Act was ratified in 1978 to provide for the application of exchange controls to transactions with the United Kingdom.

3. The main purposes of exchange control are to help to protect the official external reserves and to reduce disruptive currency flows. In general, the Acts prohibit, except with the permission of the Minister, payments to and on behalf of non-residents, dealing in gold, foreign exchange and securities and the exportation of currency notes and of other financial instruments. The day-to-day administration of exchange control has been delegated to the Central Bank of Ireland which, in turn, has delegated authority to the commercial banks for the approval of a wide range of transactions.

4. Over the years the Minister, in exercise of his powers under the Act, has provided such general permissions as were necessary to enable normal trade, commercial and other current transactions to be carried on. In addition to current transactions, many capital transactions were allowed subject to approval. In 1988, the Government embarked on a programme of phasing out exchange controls and, since then, many of the controls have been withdrawn or relaxed.

Continuation of legislation

5. The Exchange Control Act, 1954 was originally given a life of four years which indicated an intention eventually to dispense with exchange controls. As this had not been possible up to the present time, the Act has been continued in force at four-yearly intervals. The Government is now committed to completing the elimination of exchange controls by the end of 1992. In the meantime, a continuation of the legislation is required to allow the operation of the remaining controls that have yet to be dismantled. The Government proposes,

therefore, in section 1 of the Bill, that the Act be continued in force, for a further two years, to 31st December, 1992, instead of for the customary four year period.

*An Roinn Airgeadais,
Samhain, 1990.*

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