



# Bank of St. Helena

[www.sainthelenabank.com](http://www.sainthelenabank.com)

## Issues surrounding the Acceptance of Foreign Currency by Merchants

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### 1: BACKGROUND

Merchants (Retailers and others) may decide to accept foreign currency from tourists and other visitors. There is no obligation to do so but merchants may feel it is better to accept the foreign money than to risk losing a sale. This paper sets out some issues that merchants should consider before accepting payment in foreign currencies.

The bank hopes that this paper will help the merchants on St. Helena to recognise and address the issues discussed, to minimise the risk of loss due to foreign currency acceptance.

#### 1.1 Document Status

This document contains advice from the Bank of St. Helena. **You are not obliged to follow this advice.** Although the bank has endeavoured to ensure that the advice contained herein is well founded at the time of publication, the bank cannot accept responsibility for any consequences (direct or otherwise) that arise from the whole or partial implementation of this advice.

### 2: WHICH CURRENCIES MAY I ACCEPT?

There is no point in accepting foreign money unless it can be exchanged, at Bank of St. Helena or elsewhere, for local money.

At the time of writing Bank of St. Helena can only exchange the following:

- **Euro [EUR]:** notes only
- **US Dollars [USD]:** notes only
- **South African Rand [ZAR]:** notes only
- **UK Sterling (British Pounds) [GBP]:** all notes and coins, but not the localised variants for (e.g.) the Channel Islands and other British territories<sup>1</sup>.

These currencies are purchased by the bank at the advertised “*currency notes / we buy*” rate.

It may be possible to change other notes and coins elsewhere – you are advised to check before accepting them.

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<sup>1</sup> NB: the bank will accept coins from the Falkland Islands, but not notes.

#### Bank of St. Helena – Building for the Future

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Established and regulated in St. Helena under the *Banking Ordinance 2003* and the *Bank of St. Helena Ordinance 2003*.

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### 3: HOW DO I RECOGNISE THEM?

Be aware that an unscrupulous visitor could try to give you forged or out-of-date notes, on the assumption that you will not be sufficiently familiar with the notes to spot their deception.

Pictures of valid banknotes are available on the Internet, usually on the website of the central bank for the country concerned. You need to ensure that the notes are both genuine (i.e. not forged) and also current – most countries regularly update their banknotes and the old ones soon cease to be legal tender.

Please note that Bank of St. Helena cannot accept forged or out-of-date banknotes, even if you accepted them in good faith, and cannot respond to enquiries (e.g. by telephone) about the validity of banknotes.

### 4: HOW DO I EXCHANGE THEM WITH MY CUSTOMER?

Normally your prices will be set in St. Helenian Pounds, so you need to work out how many Dollars (for example) to take to make up your price.

Bank of St. Helena publishes its exchange rates weekly, and the rates vary from week to week, so you need to ensure that you use the latest rates. Foreign currency notes are purchased by the bank at the advertised “*currency notes / we buy*” rate.

You are not obliged to use our rates. Many merchants prefer use a rate that gives them a small advantage in the deal (e.g. if Bank of St. Helena is offering 51p for a Dollar, the merchant may offer the visitor only 50p for a Dollar, to make a small profit). Using rounded numbers (such as 2 Dollars to the Pound) also makes it easier to calculate the foreign currency equivalent price.

If you expect to make a number of sales in a particular currency (e.g. euro because there is a visiting French party) it may be worth pre-calculating all of your prices in the relevant foreign currency equivalents.

### 5: HOW DO I GIVE CHANGE?

Giving change can be a problem. Consider, as an example, an item that normally sells for £4, and assume that 1 Dollar is worth 50p. The equivalent price of the item in Dollars is therefore \$8. If you are offered a \$10 note, and do not have two \$1 notes to give as change, you will need to give change in local money (in this case, £1). You may wish to keep a calculator handy.

You may find that some visitors are reluctant to accept local money as change, as they know they cannot spend it when they leave St. Helena. You may therefore want to collect from the bank a ‘float’ in foreign currency before the visitors arrive, in small notes, so that you can give foreign currency change. (The bank will happily supply foreign banknotes as available but cannot guarantee to have notes in any particular values).

Alternatively you could try to persuade the customer that, if they don’t spend the change later, it will make a nice souvenir.

### 6: HOW DO I GET ‘REAL MONEY’ FOR MY FOREIGN NOTES?

Bank of St. Helena recommends that you bring the notes you have collected down to the bank at the earliest opportunity. That way you get your money sooner and minimise the risk of them being stolen (foreign cash is more interesting to a thief because it can be spent anywhere).

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You also reduce the risk that exchange rates will change and the notes you are holding will become less valuable.

Please note that the bank buys foreign money at its advertised exchange rates, irrespective of the rate of exchange at which you have chosen to accept them.

### **7: IS IT WORTH THE EFFORT?**

Only you can decide that!

You are not obliged to accept foreign money as payment. You could insist that the customer pays you in local money, and send them to the bank to make an exchange.

However, if the customer has only foreign money, and is not willing or able to come to the bank, then you will not be able to make the sale.

It is up to you to weigh that risk against the issues presented in this paper.