



EXCHANGE CONTROL DIRECTIVE RR: 101/2016

26 May 2016

The Chief Executive Officer
Bank
Location
Street
HARARE

ATTENTION: CHIEF EXECUTIVE OFFICER

Dear Sir/Madam,

DIRECTIVE ISSUED IN TERMS OF SECTION 35 (1) OF THE EXCHANGE CONTROL REGULATIONS STATUTORY INSTRUMENT 109 OF 1996

1. INTRODUCTION

- 1.1. Reference is made to Exchange Control Directives **RR86** and **RR87** dated 05 and 06 May 2016 respectively, **ECOGAD 8/2016** dated 05 May 2016, and Exchange Control Circular to Authorised Dealers of 10 May 2016 which operationalised measures and interventions to promote transparency in foreign exchange management under the multi-currency system as announced in the Governor's Press Statement of 04 May 2016.
- 1.2. With immediate effect, Authorised Dealers are advised to adhere to the following administrative foreign exchange management systems:-



2. TREATMENT OF EXPORT PROCEEDS

2.1. Treatment of Tobacco Drawdowns on Offshore Facilities

2.1.1. Authorised Dealers are advised that tobacco merchants shall continue to be entitled to 100% of the drawdown proceeds from their offshore facilities.

2.1.2. However, for purposes of facilitating the spread of liquidity across all banks, when tobacco merchants drawdown on their offshore facilities to finance tobacco production and purchasing, **80% of tobacco drawdowns** shall be transferred to the Reserve Bank of Zimbabwe (RBZ)'s Nostro Account and RBZ shall immediately transfer the equivalent amount to the Authorised Dealer's RTGS account for the account of the tobacco merchant.

2.1.3. The **balance of 20%** shall remain in the Authorised Dealer's Nostro account for the account of the tobacco merchant.

2.2. Treatment of Export Proceeds from the Mining Sector (Resource Based)

2.2.1. In order to gradually adhere to the principle of 75% local content by the resource based sectors of the economy and in order for the economy to benefit from the liquidity derived from the export of its natural resources namely minerals such as Platinum Group of Metals (PGMs), ferrochrome and

any other mineral, with immediate effect, **50% of all export proceeds regardless of the currency of export receipts**, shall be transferred into RBZ's Nostro Account and RBZ shall immediately transfer the equivalent amount to the Authorised Dealer's RTGS account for the account of the exporter.

2.2.2. Effectively, the exporter shall continue to be entitled and have full access to 100% of their export proceeds. The export incentive of up to 5% shall be credited into the exporter's FCA on the basis of the 100% export proceeds.

2.2.3. Authorised Dealers are required to create Nominal Suspense Accounts for crediting of the export incentive entitlement for exporters until actual disbursements are made by the RBZ.

2.2.4. Authorised Dealers are advised that, consistent with existing policy, 100% of export proceeds from gold and diamonds through Fidelity Printers and Refiners (FPR) and the Consolidated Diamond Company of Zimbabwe (ZCDC) respectively, shall be transferred into RBZ's Nostro Account and RBZ shall immediately transfer the equivalent amount to the Authorised Dealer's RTGS account for FPR and ZCDC, respectively.

2.3. Treatment of export proceeds for the rest of the economy

2.3.1. Authorised Dealers shall, with immediate effect, retain 100% of export proceeds of all other exporters in their Nostro account for the account of exporters in the manufacturing, agriculture, horticulture, tourism, transport,

telecommunications, services sectors and any other exports that are not minerals.

- 2.3.2. Authorised Dealers are further advised that, for the account of exporters specified in para (2.3.1) above, the RBZ shall remit the 50% of export proceeds that had been transferred to RBZ's Nostro to the exporters' bank's Nostro account. Authorised Dealers should note that this arrangement shall not apply to the mining sector and drawdown proceeds from tobacco facilities.

3. TREATMENT OF TRANSACTIONS FOR DIPLOMATS, EMBASSIES, NGOs, INTERNATIONAL ORGANISATIONS & NON-RESIDENT INDIVIDUALS (INCLUDING DIASPORANS) AND CORPORATES

- 3.1. As previously advised under ECOGAD 7/2016 dated 08 February 2016, cross border payments for Diplomats (foreign), embassies, NGOs, international organisations and, non-resident individuals (including diasporans) and corporates **do not** require prior Exchange Control approval since their funds originated from offshore.
- 3.2. For purposes of clarity, Authorised Dealers are advised that all cross border payments by foreign diplomats accredited to Zimbabwe, embassies, formally registered NGOs, international organisations and non-resident individuals (including diasporans) and corporates operating accounts that are credited with funds from offshore shall continue to be treated as free funds and **not** governed by the **Payment Priority List** guidelines.

- 3.3. To avoid incidences of abuse and money laundering, Authorised Dealers are directed to strongly apply the **Know Your Customer (KYC) Principle and Customer Due Diligence (CDD)** when processing cross border payment requests in line with good corporate governance practices and international best practices.
- 3.4. Similarly, Authorised Dealers are advised that for Zimbabwean diplomats stationed abroad who receive their remuneration in local individual accounts, remittances of their salaries to their offshore individual accounts is permissible and shall be classified under **Priority One (HIGH)**.

4. FOREIGN EXCHANGE COMMITTEE

- 4.1. In order to ensure that there is transparency and efficiency in the distribution and management of foreign exchange resources within the economy and to adhere to the principles of the import priority list, an interbank foreign exchange committee, chaired by the Reserve Bank, shall be established with effect from 1 June 2016.

5. COMPLIANCE WITH EXCHANGE CONTROL RULES AND REGULATIONS

- 5.1. Authorised Dealers are advised that in order to ensure operational efficiency and effectiveness, compliance with set guidelines in the implementation of Monetary Policy measures, the RBZ shall put in place an enhanced compliance monitoring framework.

- 5.2. In this regard, the Exchange Control Compliance Rating System shall be reconfigured to take into account the significance of the recently announced policy measures.
- 5.3. Therefore, penalties shall be imposed on those Authorised Dealers that fail to comply with Exchange Control Rules and Regulations. Furthermore, Exchange Control will not hesitate to withdraw Authorised Dealership Licences from Authorised Dealers that demonstrate non-compliance with these Directives.
- 5.4. Please be guided accordingly

Yours Sincerely



M. B. Mporfu
Director

EXCHANGE CONTROL

**cc: Exchange Control Head
Treasury Head**