

RESERVE BANK OF ZIMBABWE



# FOREIGN EXCHANGE GUIDELINES TO AUTHORISED DEALERS

ISSUED AS A DIRECTIVE ECD1/2009 IN TERMS OF SECTION  
35 (1) OF THE EXCHANGE CONTROL REGULATIONS:  
STATUTORY INSTRUMENT 109 OF 1996

JULY 2009

## FOREIGN EXCHANGE GUIDELINES

Following the liberalisation of the Current Account, as well as the introduction of the multi-currency system, Guidelines detailed herein are intended for use by Authorized Dealers for all foreign exchange transactions.

These Guidelines are issued to draw attention in convenient form to the law contained in the Exchange Control Act, [*Chapter 22:05*] and the Exchange Control Regulations. These Guidelines form a consolidation of all Exchange Control Directives issued before 1 July 2009 and are meant to ensure transparency, legal certainty and conformity with the multi-currency system.

These Guidelines are issued as Directive ECD1/2009 in terms of Section 35(1) of the Exchange Control Regulations, Statutory Instrument 109 of 1996, for clarity to Authorised Dealers and shall form the basis for the amendment of the Exchange Control Regulations to conform to the new monetary regime.

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## ABBREVIATIONS AND DEFINITIONS

Authorised Dealers	:	Local Commercial and Merchant banks licenced by the Exchange Control to deal in foreign currency.
BSA	:	Bank Supervision Application System
BTA	:	Business Travel Allowance
CEBAS	:	Computerised Exchange Control Batch Application System
CEPECS	:	Computerised Exports Payments Exchange Control System
Dealing	:	Refers to buying and selling foreign currency
Denominated Currencies	:	Austrian Shilling, Australian Dollar, Belgian Franc, Norwegian Kroner, British Sterling, Portuguese Escudo, Canadian Dollar, Japanese Yen, Danish Kroner, Spanish Peseta, Deutsche Mark, Swedish Kronor, French Franc, Swiss Franc, Italian Lire, United States Dollar, EURO Netherlands Guilder
ECRC	:	Exchange Control Review Committee – A Committee responsible for vetting Capital Account applications and other transactions not covered in these Guidelines.

ELCC	:	External Loans Coordinating Committee - A Committee responsible for vetting foreign loan applications.
Exchange Control	:	Exchange Control arm of the Reserve Bank of Zimbabwe, unless otherwise stated.
Exporter	:	Any person or company in Zimbabwe who takes goods or causes goods to be taken out of Zimbabwe
FCA	:	Foreign Currency Account
Foreign Investor	:	An individual, consortium or corporate entity holding equity or shares in a local company
Form CD1	:	Currency/ Customs Declaration Form specifying the value of exports, commissions and freight.
Form CD3	:	Foreign Currency Declaration form completed by locally registered freighters
Form PTS1	:	Posts & Telecommunications Form
Form TR1	:	Foreign currency declaration form for non-consumptive tourism
Form TR2	:	Foreign currency declaration form for consumptive tourism (hunting)
Free Funds	:	Foreign currency not resulting from export proceeds

GSD	:	General Services Declaration Form
HTA	:	Holiday Travel Allowance
Limited Dealership Authority (LDA)	:	Authority granted to all Banks or Financial Institutions that are not Authorised Dealers to partake in limited foreign currency dealing
Multicurrency	:	Foreign currency regime under which more than one currency is used for transactionary purposes
NGOs	:	Non Governmental Organisations
NRTA	:	Non-Resident Transferable Foreign Currency Account.
Resident	:	A person permanently domiciled in Zimbabwe
Taxidermy		The process of preserving animal skins and processing them into life like appearances.
Unlisted Companies	:	Companies not quoted on the Zimbabwe Stock Exchange
ZIA		Zimbabwe Investment Authority
ZSE		Zimbabwe Stock Exchange



# SECTION ONE

## 1 GENERAL

### 1.1 Multi-Currency System

1.1.1 All corporate entities, Government, Non-Governmental Organisations, International Organisations, Embassies and individuals are allowed to freely transact (to buy and sell goods and services) in foreign currency, using multi-currencies as defined.

### 1.2 Authorised Dealers

1.2.1 Authorised Dealers are empowered to deal in foreign currency and may provide foreign currency for all purposes in accordance with these guidelines and any other Directives that the Exchange Control may issue from time to time.

1.2.2 Foreign currency dealing (to buy and sell foreign currency<sup>1</sup>) using international cross rates, is only

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<sup>1</sup> In Denominated Currencies

limited to Authorised Dealers and licenced Bureaux de Change.

1.2.3 The attention of Authorised Dealers is drawn to the necessity for a uniform policy in granting foreign currency and they are accordingly required to apply these guidelines in all other rulings given by the Exchange Control strictly and impartially.

1.2.4 In cases where doubt exists or where applications are not covered by these guidelines, reference must be made to the Exchange Control.

1.2.5 When it is necessary to submit applications to Exchange Control for consideration, Authorised Dealers must state whether or not they recommend the approval of the application giving reasons in each case, or their reasons for withholding their recommendations.

### 1.3 Bureau de Change

1.3.1 Corporates and individuals shall be allowed to conduct Bureau de Change business, provided that they are registered and issued with an Exchange Control licence

before commencement of operations.

1.3.2 This framework allows licenced operators, who shall operate at designated places, to conduct the following business:-

- i). Receive foreign currency remittances from the Diaspora and to payout to various beneficiaries;
- ii). Buy foreign currency from the public and walk-in clients, including tourists at prevailing cross rates;
- iii). Sell foreign currency to the public and walk-in clients including tourists at the prevailing cross rates;

1.3.3 The operation of these institutions will be guided by the relevant regulatory framework.

## SECTION TWO

### 2 MANAGEMENT OF FOREIGN CURRENCY ACCOUNTS (FCAs)

#### 2.1 Opening of Foreign Currency Accounts

2.1.1 Local and foreign owned corporates, who are registered in Zimbabwe, are allowed to open up to five (5) FCAs denominated in United States Dollar (USD), South African Rand (ZAR), Botswana Pula (BWP), British Pound (GBP), and Euro (EUR) per Authorised Dealer.

2.1.2 FCAs may be opened with as many banks as possible, and the opening of these accounts shall not require prior Exchange Control approval.

2.1.3 Authorised Dealers shall designate foreign currency accounts as indicated hereunder and shall flag or designate them accordingly for monitoring purposes.

#### 2.2 Designation of FCAs

##### 2.2.1 Corporate FCAs (General)

2.2.1.1 These are accounts deposited with foreign currency proceeds emanating from commercial activities within Zimbabwe. Funds deposited in these accounts shall be treated as 'free funds'.

## 2.2.2 Corporate FCAs (Exports)

2.2.2.1 Corporate FCAs (Exports) shall include all corporate FCAs for purposes of holding foreign currency proceeds from export of goods and/or services resulting from the acquittal of Forms CD1/CD3/TR1/TR2/GSD/PTS1.

## 2.2.3 Corporate FCAs (Transitory)

2.2.3.1 These shall include all accounts used for purposes of holding funds in transit and whose destination is not yet known or billing is yet to be done.

## 2.2.4 Corporate FCAs (Banks)

2.2.4.1 These are Foreign Currency Accounts that are opened by financial institutions licenced under the

Limited Dealership Authority (LDA), with their Managing Banks, who are Authorised Dealers. Such FCAs are used for handling the institution's foreign exchange transactions.

2.2.4.2 Authorised Dealers shall also use Corporate FCAs (Banks) to deposit their own earnings from foreign currency transactions. These shall also include accounts opened by Bureau de Change with Commercial Banks.

## 2.2.5 Corporate FCAs (Offshore)

2.2.5.1 Corporate entities are not allowed to open offshore accounts without prior Exchange Control approval.

## 2.2.6 Individual FCAs

2.2.6.1 Individual FCAs shall include all FCAs held by individuals, such as employees of Government, NGOs, Embassies, International Organisations, private sector or any other individual holding 'free funds'. Funds deposited in these accounts are 'free funds'. No restrictions shall therefore apply on the

withdrawal and utilization of these funds.

## 2.3 Non-Resident Transferable FCAs (NRTAs)

2.3.1 These are accounts opened by Authorised Dealers on behalf of individuals who visit or come to Zimbabwe on temporary visits or to settle and work in Zimbabwe during a period less than 12 months. Authorised Dealers may also open such accounts on behalf of non-resident corporates, under advice to Exchange Control.

2.3.2 Exchange Control approval is required before loans, overdrafts or guarantees are granted to non-resident account holders and funds held in these accounts are freely remittable.

2.3.3 Authorised Dealers shall report all transactions managed through these accounts to Exchange Control on a monthly basis.

## 2.4 Nostro Accounts (Correspondent Banks)

2.4.1 Authorised Dealers are allowed to open and maintain

any number of nostro accounts with correspondent banks of their choice for the management of their FCA balances in conformity with international prudential regulations.

2.4.2 Authorised Dealers must therefore, maintain records of these accounts and shall advise Exchange Control of any accounts opened within 7 days of opening such account (s).

2.4.3 Authorised Dealers shall on a weekly basis submit EC Form Nostro to Exchange Control every Monday by 10.00hrs for balances of the preceding Friday. (See Appendix 1)

## 2.5 FCAs for Embassies, NGOs, Diplomatic Missions

2.5.1 Authorised Dealers can open and maintain non-resident accounts in favour of Embassies, NGOs, Diplomatic Missions and International Organisations. Such accounts may be opened without prior reference to the Exchange Control and funds held in these accounts shall be regarded as free funds.



## 2.6 Evidence Accounts/Collection Accounts

2.6.1 Evidence Accounts are special foreign currency accounts domiciled offshore for the purposes of receiving foreign currency proceeds. The accounts are usually opened to provide comfort to suppliers of foreign credit since loan repayments are directly repaid from these accounts.

2.6.2 The following operational modalities apply to the administration of evidence accounts:-

- Only exporters with ELCC approved lines of credit and whose terms and conditions are approved by ELCC and Exchange Control are eligible for the opening of an Evidence Account.
- All funds credited into Evidence Accounts are regarded as equivalent of draw-downs made on the relevant offshore loans.
- Acquittal using value addition

## SECTION THREE

### 3 OPERATION OF FCAs

#### 3.1 FCA Deposits

3.1.1 Individuals and corporates may deposit any amount into their FCAs and the Authorised Dealer may use their discretion to enquire on the source of such funds, before sanctioning such a deposit, especially where large amounts are involved [i.e Authorised Dealers to apply “*Know Your Customer*” (KYC) principle].

#### 3.2 FCA Withdrawals

3.2.1 There is no limit on the amount of foreign exchange that can be withdrawn from these FCAs<sup>2</sup>. Withdrawals from FCAs may be made in bank notes, traveler’s cheques, with no need of supporting documents.

#### 3.3 Utilization of FCA Balances

3.3.1 Individuals, Embassies, NGOs and International Organisations can use their FCA balances for their

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<sup>2</sup> However, the applicable clause on export of cash will apply if one wants to export cash.

obligations (both domestic and foreign) without any restriction<sup>3</sup>. This shall also include Corporate FCA (General) which are credited with funds from domestic retail, wholesale and distribution activities.

3.3.2 Corporate entities can make payments from their Corporate FCAs (Exports) in line with existing Exchange Control regulations.

### 3.4 Cash Swaps between Authorised Dealers

3.4.1 Authorised Dealers may swap foreign currency cash between themselves, without specific Exchange Control approval. In addition, Banks may issue cash payouts to EMTAs or Bureau de Change against their FCA balances to facilitate their trade.

### 3.5 Switching of Currencies

3.5.1 Authorised Dealers are advised that it is permissible to conduct switching of currencies using international cross rates without specific Exchange Control Approval.

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<sup>3</sup> This includes corporate entities holding Corporate FCAs (General)

## 3.6 Issue of Credit Cards

3.6.1 Authorised Dealers may issue credit cards Individuals, Embassies, NGOs and International Organisations as specified in 3.2.1 above. These cards may be used on the domestic market or internationally. No limits shall apply and Authorised Dealers shall freely use FCA holders' balances or lending criteria to determine credit card limits.

3.6.2 Credit cards may also be issued to Corporate FCA (Export) holders and usage of such cards on the international market shall be subject to existing Exchange Control regulations.<sup>4</sup> However, no limits shall apply on all domestic payments.

## 3.7 Investment of FCA Funds

3.7.1 Resident FCA holders are permitted to invest in the following instruments: -

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<sup>4</sup> **If** there is a threshold set by Exchange Control on import payments from Corporate FCAs (Exports), such a threshold will also apply on the International Credit Card.

## Listed Companies

3.7.2 Resident FCA holders may purchase shares of quoted companies on the Zimbabwe Stock Exchange with no limit of participation; i.e. resident investors can invest up to 100%<sup>5</sup>.

## Unlisted Companies

3.7.3 Resident FCA holders may invest in unlisted local companies through rights and new issues and project finance without any restriction.

## The Money Market

3.7.4 Resident and non-resident FCA holders may freely invest on the Money Market. For non-residents, Authorised Dealers must ensure that funds being invested have been earned formally, through normal banking channels, and any incomes realized from the investments are freely remittable.

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<sup>5</sup> Non-resident and foreign investors are allowed to participate on the ZSE up to limits prescribed through the Exchange Control Act and the ZSE Act.

## SECTION FOUR

### 4 CURRENT ACCOUNT TRANSACTIONS<sup>6</sup>

#### 4.1 Imports

- 4.1.1 For all import payments<sup>7</sup>, Authorised Dealers may process transactions for corporates and individuals without prior Exchange Control authority.
- 4.1.2 For Balance of Payments (BOP) reporting purposes, Authorised Dealers shall submit information pertaining to the imports through the Bank Supervision Application System (BSA). All foreign payments should also be recorded through the Computerized Exchange Control Batch Application System (CEBAS).
- 4.1.3 Authorised Dealers shall on a daily basis submit EC Form Non Exp to Exchange Control for all external payments of the previous dealing day made from any FCA other than from FCA (Exports) by 1000 hrs. (See Appendix 2)
- 4.1.4 In all cases, Authorised Dealers may request relevant supporting documentation from their corporate clients for corporate governance purposes.

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<sup>6</sup> The current account, for all intents and purposes, has been liberalized.

<sup>7</sup> The US\$1.5 million threshold is no longer applicable.

## Corporate Remittances

- 4.1.5 All corporate remittances for imports are freely remittable.
- 4.1.6 Corporates may pay local expenses for their visitors or external business associates from their Corporate FCAs without restriction.
- 4.1.7 Authorised Dealers shall on a daily basis submit EC Form Exp to Exchange Control for all payments made from FCA (Exports) on the previous dealing day by 10.00 hr. (See Appendix 3)

## Registration of Service Agreements

- 4.1.8 Where the provision of services involves agreements with recurring fees, the initial agreements must be registered with Exchange Control, after which payments can be made without reference to Exchange Control.<sup>8</sup>

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<sup>8</sup> Some Service Agreements have clauses which have implications on the capital account and the registration requirement allows Exchange Control to separate a current international transaction from a capital account transaction.

## Individual Remittances

4.1.9 Individuals, Embassies, NGOs and International Organisations can effect foreign payments without restriction. However, transactions which are funded from borrowed funds shall comply with existing Exchange Control regulations.

4.1.10 Authorised Dealers shall not introduce restrictions (documentation or otherwise) on transfer of funds from individual FCAs as these should be treated 100% as 'free funds'.

## 4.2 Exports

4.2.1 Authorised Dealers are advised that as part of the Current Account liberalisation, most of the administrative controls which relate to prior approval of Forms CD1s have been removed. Guidelines that follow are meant to ensure that there is clarity in the administration of export shipments and acquittal of foreign exchange receipts from exports.



- 4.2.2 The primary objective is to ensure that the country's export earnings are fully accounted for and that Zimbabwe realizes the true and fair value from its exports<sup>9</sup>.
- 4.2.3 No goods of any description may be exported<sup>10</sup>, in any manner, unless payment for the goods has been made in an approved manner, or will be so made within three months (90 days) from date of export, or when contractually due, or such other period as Exchange Control may direct, and that the amount of the payment reflects the true current market value of the goods which is, in all circumstances, satisfactory in the interest of Zimbabwe.
- 4.2.4 Authorized Dealers are required to facilitate export shipments through the completion of the Form CD1 in the Computerised Export Payments Exchange Control System (CEPECS).

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<sup>9</sup> With current account liberalization, exporters are entitled to 100% retention of proceeds for an indefinite period and can use such funds in their FCAs freely for both local and external obligations. The accounting of proceeds should ensure foreign exchange market liquidity and immense benefits for the country.

<sup>10</sup> This only applies to goods with a value above US\$5,000 or rand equivalent

4.2.5 The completion of the Form CD1 in the system shall represent the declaration by the exporter of the export and undertaking that payment shall be received within the stipulated period.

4.2.6 In the absence of a properly completed Form CD1 and other supporting documents, the ZIMRA authorities may prohibit the export.

#### Registration of Exporters<sup>11</sup>

4.2.7 Every new exporter of goods or services must be registered in CEPECS through their respective Authorized Dealers. The registration requirement shall only apply to exporters of goods and services within thresholds that would have been prescribed.

4.2.8 Authorised Dealers shall on a 'Know Your Customer' (KYC) basis satisfy themselves and certify to Exchange Control that the company is a bona-fide entity and it undertakes to comply with export formalities contained herein<sup>12</sup>.

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<sup>11</sup> The registration of exporters is a necessary condition to ensure that every eligible exporter is registered with the Reserve Bank's CEPECS and enable the exporter to do an online declaration of the export.

<sup>12</sup> The cumbersome registration requirements have thus been removed to ease the registration process.

## Export Declaration Forms

4.2.9 Current Exchange Control Policy requires that every export<sup>13</sup> be declared on an Exchange Control Export Declaration Form which, in terms of Exchange Control regulations, are legislated as follows:-

Table 1: Current Export Documentation

Form Type/ Name	SECTOR	PURPOSE
Form CD1	Real Sector - Goods	For declaration of export of goods in CEPECS prior to Export Shipment.
Form CD3	Transport Services	For declaration of road transport/freight charges. Manual forms issued by Authorised Dealers prior to rendering services.
Form TR1	Tourism Services	For declaration of non-consumptive tourism earnings. Consolidation of cash receipts and deposits on a monthly basis.
Form TR2	Tourism Services	For declaration of consumptive tourism (hunting) earnings. Declaration of receipts for every hunting safari.
Form PTS1	Telecommunicatio ns	For declaration of post and telecommunication receipts. Consolidation of cash receipts and deposits on a monthly basis
Form GSD	General Services	For declaration of earnings arising from rendering any other service not specified above.

<sup>13</sup> The US\$1.5 million threshold is no longer applicable.

## Completion of Form CD1

4.2.10 Forms CD1 must be completed for all exports except for :-

- i. Goods not exceeding USD5,000 or equivalent in other denominated currencies<sup>14</sup> in export value;
- ii. Certain categories of goods covered by ZIMRA procedures deemed not suitable for completion of Form CD1 (this may include goods that may require completion of Form CD1 but no value assigned due to the nature of the export);

4.2.11 Authorised Dealers may not process any Form CD1 which has been incompletely or improperly compiled by an exporter nor may they process any Form CD1 in respect of which they have reason to believe or suspect that any of the declarations made therein by the exporter are untrue or misleading. In this respect, the meticulous completion of these forms will save everyone in the processing chain, time, effort and unnecessary delay.

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<sup>14</sup> The equivalence of USD5,000 at the rates prevailing at time of export.

## Issuance of Manual Forms CD1<sup>15</sup>

4.2.12 Authorised Dealers may only issue manual Forms CD1 in instances where the CEPECS is down for more than 48 hours and to horticultural exporters.

4.2.13 Manual Forms CD1 are only issued with prior Exchange Control approval, which may be given in the form of Blanket Authority in the case of horticultural exports.

## Exports in Pursuance of Contract of Sale

4.2.14 Authorised Dealers may process Form CD1 in CEPECS provided that each of the following seven (7) conditions is complied with:-

4.2.14.1 The exporter has been registered with Exchange Control as required in Paragraph 4.2.4 above;

4.2.14.2 That the currency in which payment is to be made is satisfactory and is in accordance with these Exchange Control guidelines;

4.2.14.3 That the time limit in which payment is to be made is satisfactory and is in accordance with these Exchange Control guidelines;

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<sup>15</sup> Manual Forms CD1 are issued in instances where CEPECS is down for more than 48 hours, or on exports of horticulture perishables.

- 4.2.14.4 That where the nature of the contract requires that the exporter pays any charges or allows any discounts or commissions<sup>16</sup>, all such charges have been included in Section 15 of the Form CD1;
- 4.2.14.5 That there are no previous exports by the exporter concerned in respect of which payment is overdue;
- 4.2.14.6 That special documentation is provided for export of special goods such as precious minerals, pedigree livestock, bulk commodities, biological samples etc;
- 4.2.14.7 That in every instance, copies of the consignor's invoice showing the unit price of each item and the terms of the contract of sale (FOR, FOB, CIF, C&F, etc) must be submitted to the Authorised Dealer.

### Acquittance of Forms CD1

- 4.2.15 Within seven days of receipt of export proceeds, the Authorized Dealer must pre-acquit the relevant Forms CD1, and submit to Exchange Control an application for final acquittal of the Forms CD1, attaching documentary proof of receiving payment such as a copy of a Telegraphic Transfer (TT) bank draft or foreign currency cash receipt.

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<sup>16</sup> Where the discounts and commissions are in excess of the stipulated thresholds, specific Exchange Control approval shall be required.

4.2.16 Acquittal of Forms CD1 shall be effected using funds received directly from offshore through normal banking channels. In cases where an exporter wants to acquit Form CD1 using cash proceeds, Authorised Dealers shall ensure that such cash does not emanate from the domestic market<sup>17</sup>.

4.2.17 Authorised Dealers shall not deposit the exporter's Corporate FCA (Exports) with export proceeds unless the form CD1 has been properly acquitted in line with paragraph 4.2.12.

4.2.18 Authorised Dealers shall on a daily basis submit EC Form 1 to Exchange Control for foreign exchange inflows credited on their nostro accounts on the previous dealing day by 10.00 hr. The foreign exchange inflows shall include; export proceeds, free funds, loans proceeds (See Appendix 6).

## Barter Trade Transactions

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<sup>17</sup> Authorised Dealers shall confirm that source of funds are indeed from the consignee

4.2.19 Residents are not permitted to enter into barter transactions of any kind without specific Exchange Control approval.

### Samples and Goods for Repair and return

4.2.20 All samples and goods for repair and return require prior Exchange Control approval.

### Bulk, Consignment Stocks, and Auction

4.2.21 These are not permitted without specific Exchange Control approval.

### Completion of Forms CD3

4.2.22 All local trucking companies (i.e. holders of Bilateral/PTA permits) authorized by the Road Motor Transportation Act [Chapter 13:15], to engage in cross border transportation are required to complete the Forms CD3<sup>18</sup>.

4.2.23 The Form CD3 is a necessary requirement to ensure that all cross-border transporters hauling goods on

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<sup>18</sup> Both transporters carrying goods on behalf of foreign entity or local resident exporter are required to complete Form CD3. In the case of local trucking company sub-contracted by a local exporter, the Form CD3 will be required in addition to the completion of Section 15 of the Form CD1. Form CD3 issued to transporters by Authorised Dealer should be pre-stamped.



behalf of foreign entities are paid in denominated currencies and the funds are received through normal banking channels in Zimbabwe.

4.2.24 Authorised Dealers may not process any Form CD3 which has been incompletely or improperly compiled by a transporter nor may they process any Form CD3 in respect of which they have reason to believe or suspect that any of the declarations made therein by the transporter are untrue or misleading.

4.2.25 In this respect, the meticulous completion of these forms will save everyone in the processing chain, time, effort and unnecessary delay.

4.2.26 No cross-border transportation may be permitted by ZIMRA, in any manner, unless payment for the freight charges has been made in an approved manner, or will be so made within three months (90 days) from date of transportation, or when contractually due, or such other period as Exchange Control may direct, and that the amount of the payment reflects the true current market freight charges which are, in all circumstances, satisfactory in the interest of

Zimbabwe.

### Trailer - Horse / Mixed Registration

4.2.27 Authorised Dealers are advised that prior Exchange Control Authority is required where a foreign registered horse pulls a locally registered trailer or semi trailer or vice versa.

4.2.28 In addition for prior Exchange Control approval, the transporters need to stipulate the following: -

- (i) the date the horse is going to be returned to the country of origin;
- (ii) the cost of hire, either on weekly, monthly or annual basis; and
- (iii) At the end of the contract, if need be an application must be submitted for either renewal of the contract for re-export of the horse. Exchange Control must be furnished with a copy of the Agreement between the Lessor and the Lessee clearly stipulating the conditions.

## Acquittance of Forms CD3

4.2.29 Within seven days of receipt of freight proceeds, the Authorised Dealer must pre-acquit the relevant Forms CD3, and submit to Exchange Control an application for final acquittal of the Forms CD3, attaching documentary proof of receiving payment such as a copy of a Telegraphic Transfer (TT) bank draft or foreign currency cash receipt.

4.2.30 Acquittal of Forms CD3 shall be effected using funds received directly from offshore through normal banking channels. In cases where an exporter wants to acquit Form CD3 using cash proceeds, Authorised Dealers shall ensure that such cash does not emanate from the domestic market<sup>19</sup>.

4.2.31 Authorised Dealers shall not deposit the transporter's Corporate FCA (Exports) with freight proceeds unless the Form CD3 has been properly acquitted in line with paragraph 4.2.24.

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<sup>19</sup> Authorised Dealers shall confirm that source of funds are indeed from the foreign entity

## Completion of Form TR1

4.2.32 All tourism operators and amenities stipulated in Exchange Control Regulations and other relevant statutes are required to declare their earnings from local and foreign tourists to enable completion of the CEPECS Form TR1 on a monthly basis.

## Acquittance of Forms TR1

4.2.33 Within fifteen days after the month being reported on, Authorised Dealers are required to pre-acquit the relevant Forms TR1, and submit to Exchange Control an application for final acquittal of the Forms TR1, attaching documentary proof of receiving payment such as a copy of a Telegraphic Transfer (TT), bank draft, credit card receipt showing proof of expenditure or foreign currency cash deposit slips.

4.2.34 In cases where payment was received for packaged tours, funds must be credited to the Corporate FCA

(Transitory) pending issuance of final invoices for billing purposes and Form TR1 acquittal.

## Completion of Form TR2

4.2.35 All Hunting Safari Operators and all taxidermists are required to declare their foreign currency earnings on the Form TR2.

## Submission of Forms TR2 to Exchange Control

4.2.36 After completion of the hunt and before export of the trophy, the hunting operator is required to submit a completed Form TR2 to the Exchange Control through the Authorised Dealer, attaching documentary evidence of depositing foreign currency proceeds with the bank<sup>20</sup>.

## Completion of Form PTS1

4.2.37 All licensed Post and Telecommunication operators are required to declare their earnings by completing the Form PTS1 on a monthly basis.

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<sup>20</sup> Documentary proof of receiving payment should be in form of a copy of a Telegraphic Transfer (TT), bank draft or foreign currency cash receipt may also be attached.

## Acquittance of Forms PTS1

4.2.38 Within ninety (90) days following the last day of the month these services were rendered or when contractually due, the declared net funds should be received in Zimbabwe.

4.2.39 Upon receipt of export proceeds, the Authorized Dealer must pre-acquit the relevant Forms PTS1 within seven days, and submit to Exchange Control an application for final acquittal of the Forms PTS1, attaching documentary proof of receiving payment such as a copy of a Telegraphic Transfer (TT) bank draft or foreign currency cash receipt.

4.2.40 Authorised Dealers shall not deposit the exporter's Corporate FCA (Exports) with export proceeds unless the form PTS1 has been properly acquitted in line with paragraph [4.2.38](#).

## Completion of Form GSD

4.2.41 All service providers<sup>21</sup>, other than providers of cross border road freight services, tourism activities and, posts and telecommunication services, shall complete the Form GSD when a service has been rendered to a foreigner.

## Acquittance of Forms GSD

4.2.42 Within ninety (90) days following the last day of the month these services were rendered, the declared net funds should be received in Zimbabwe.

4.2.43 Upon receipt of export proceeds, the Authorized Dealer must pre-acquit the relevant Forms GSD within seven days, and submit to Exchange Control an application for final acquittal of the Forms GSD, attaching documentary proof of receiving payment such as a copy of a Telegraphic Transfer (TT) bank draft or foreign currency cash receipt.

4.2.44 Authorised Dealers shall not deposit the exporter's Corporate FCA (Exports) with export proceeds unless

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<sup>21</sup> These include cross border bus operators, cross border rail transport, corporate business consultancy services, cross border insurance services and does not include individuals carrying out consultancy services.

the Forms GSD has been properly acquitted in line with paragraph [4.2.42](#).

### 4.3 Tobacco and Cotton Financing

4.3.1 Tobacco and cotton shall continue to be purchased using funds sourced from offshore. No tobacco or cotton shall be purchased using funds sourced from the domestic/local market.

### 4.4 Export of Foreign Currency Cash

4.4.1 Foreign currency cash that may be exported by residents in person or in baggage is USD10, 000. However, amounts above the set threshold require prior Exchange Control approval.

4.4.2 Repatriation of foreign currency cash by Authorised Dealers to their corresponding banks requires prior Exchange Control approval. Exchange Control will expeditiously process the applications, and do note-



counting of the cash before repatriation.

#### 4.5 Importation of Foreign Currency Cash by Authorised Dealers

4.5.1 There are no limits on the importation of foreign currency cash by Authorised Dealers. However, such importation requires specific Exchange Control approval to ensure that the country's anti-money laundering rules are adhered to.

## SECTION FIVE

### 5 CAPITAL ACCOUNT TRANSACTIONS<sup>22</sup>

#### 5.1 Current Policy

5.1.1 The Capital Account has been partially liberalised in Zimbabwe. Applications pertaining to the receipt or payment of capital transfers and/or acquisition/disposal of non-financial assets as well as transactions associated with changes of ownership in the foreign financial assets and liabilities of the country must form the basis of specific applications to the Exchange Control Review Committee (ECRC).

5.1.2 This Committee is responsible for considering and making decisions on all applications relating to the Capital Account. The common cases considered by the Exchange Control Review Committee are detailed hereunder.

#### 5.2 Foreign Investment

5.2.1 The requirement for vetting of Capital Account transactions should be taken as a necessary measure

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<sup>22</sup> Except for investment income (which is current international transaction related to the capital account), capital account transactions shall remain subject to prior Exchange Control approval.

to ensure that the country is cushioned against global economic and financial shocks which have a bearing on foreign private capital flows, such as to protect the country against capital flight.

5.2.2 While these requirements have been put in place, due cognizance has been taken of ensuring that Zimbabwe remains a conducive market that fosters the free and unfettered mobility of local and foreign capital.

5.2.3 These Guidelines are therefore meant to bring administrative clarity to Authorised Dealers in the handling of foreign investment proposals and the Exchange Control Review Committee shall always accept for consideration any innovative proposals that fall outside these Guidelines.

5.2.4 These Guidelines shall continue to be reviewed to be consistent with developments in both the domestic economy and global financial markets.

## 5.2.5 Investment in Unlisted Companies

5.2.5.1 Foreign investors may invest up to 40% in unlisted companies for existing projects and Exchange Control approval shall be sought for such investments<sup>23</sup>.

### Disinvestment from an Unlisted Company

5.2.5.2 Disinvestment proposals arising from companies that had invested in Zimbabwe and are in the process of winding down and closing their operations. In most instances, the disposal of the associated assets realizes proceeds which the investors will seek authority to remit to various offshore destinations of their choice.

5.2.5.3 In terms of current Exchange Control policy on capital remittances, all disinvestment proceeds arising from pre-May 1993 investments<sup>24</sup>, which shall continue to require prior Exchange Control approval, shall be eligible for re-investment on the domestic market for a period of 5 years prior to remittance.

<sup>23</sup> For greenfield projects, the Zimbabwe Investment Authority regulations shall apply.

<sup>24</sup> Prior to adoption of the multi-currency system, the disinvestment proceeds from pre-May 1993 investments were blocked and invested into 6% 20 year Government Zimbabwe dollar bonds, for which remittances would be effected at maturity.

5.2.5.4 However, the following Exchange Control conditions of accelerated remittance shall continue to apply:-

- i. If the disinvestment proposal results in localization of ownership; or
- ii. If the sale of foreign shares to locals is discounted by 10% or more in the company's net asset value and dividend savings.

5.2.5.5 Disinvestment proceeds arising from post-May 1993 investments are fully remittable after Exchange Control approval has been granted. Investors may remit offshore any capital plus appreciation as well as dividends in full, as and when they accrue.

#### Application Details for Disinvestment Proposals

5.2.5.6 To facilitate the processing of such proposals the following details must be furnished to Exchange Control:-

- i. The date when the investment was undertaken;
- ii. The disinvesting company's registration documents,

- as well as the liquidation and distribution account from a reputable firm of auditors;
- iii. Details on how the foreign investment was funded originally as well as documentary evidence of the receipt of the funds in foreign currency through normal banking channels;
  - iv. Latest audited financial statements;
  - v. Justification of valuation methods used to deduce the share disposal value,
  - vi. A valuation certificate from a reputable independent valuator, in case where the initial investment was in the form of physical assets;
  - vii. A sale agreement, where the disinvestment is by way of sale of shares, giving full names of the buyer(s) and their respective residential status.
  - viii. Indication whether the shares (if any) are being disposed at par, premium or at a discount<sup>25</sup>.

5.2.5.7 Investors may only remit the initial capital outlay plus appreciation after Exchange Control approval has been granted.

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<sup>25</sup> In cases where share disposal is to a local, the minimum requirement is that the shares be disposed at par or at a discount.

## Dilution<sup>26</sup> into an Unlisted Company

5.2.5.8 These applications are in respect of investments by foreigners into existing local enterprises not listed on the Zimbabwe Stock Exchange (ZSE). The transactions effectively results in shifts and changes in shareholding structure and ownership which impacts on the capital account.

5.2.5.9 The same procedures apply to listed companies, where the foreign investor intends to acquire more than the stipulated 40% threshold on the ZSE.

5.2.5.10 Exchange Control generally considers up to 40% equity participation in existing companies by foreign investors, which threshold is in line with ZIA and ZSE policy aimed at promoting growth of investment in new operations rather than in existing ones.

## Application Details for Dilution Proposals

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<sup>26</sup> Dilution is when the acquisition of a domestic asset by a foreign investor results in the reduction of local shareholding or ownership and an increase in the foreign shareholding in that company.

5.2.5.11 To facilitate the processing of such applications, applicants should furnish the following information to Exchange Control;

- i. Latest audited financial statements for the entity whose shareholding is the subject of the dilution;
- ii. Demonstration of whether the shares/equity are being bought at par or at a premium,
- iii. Indication of how the shares will be financed;
- iv. Justification for the dilution, i.e. will the dilution proposal rescue local operations and/or jobs;
- v. Details of applicants' business in Zimbabwe including full names of the shareholders, their residential status and percentage shareholding before and after the dilution proposal.

## Mergers and Acquisitions

5.2.5.12 Mergers and acquisitions arise where two or more entities, listed or unlisted, intend to amalgamate or where one company intends to acquire a majority stake in another company.

5.2.5.13 These proposals are considered on a case by case



basis, with consideration granted towards the benefits encumbered in the amalgamation or the acquisition of the company(s).

## Application Details for Mergers

5.2.5.14 The following information must be submitted to Exchange Control with the application for a merger:-

- i. Details of the ownership structure or control of the merging entities before and after the merger;
- ii. Details of the share acquisitions to facilitate the merger and change of directorship;
- iii. Latest audited financial statements of the merging entities;
- iv. Expected time frame or scale for the completion of the merger;
- v. Reasons for the merger and benefits to accrue from the merger;
- vi. Projected plans for the merged business;
- vii. Market share of the merging entities and estimate of market share after the merger supported by a clearance letter from the Anti Monopolies and

- Competition Commission<sup>27</sup>; and
- viii. Impact of the merger at the local level and details of localities where competition may be reduced as a result of the merger.

### Application Details for Acquisitions

5.2.5.15 The following information must be submitted to Exchange Control with the application for acquisitions:-

- i. Details of the ownership structure or control of the companies involved in the acquisition;
- ii. Details of the share acquisitions and change of directorship;
- iii. Latest audited financial statements of the concerned companies;
- iv. Expected time frame or scale for the completion of the acquisition;
- v. Reasons for the acquisition and benefits to accrue from the acquisition;
- vi. Projected business plans for the acquired entity;

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<sup>27</sup> A Department in the Ministry of Industry and Commerce

## Restructuring and Rights Issue of Shares<sup>28</sup>

5.2.5.16 Companies can raise capital through issuing additional shares to existing shareholders in its books in given proportions approved by the shareholders. Such restructuring exercises overall result in changes in company ownership, which requires specific approval by Exchange Control.

### Application Details for Restructuring and Rights Issue of Shares

5.2.5.17 The following should be furnished to Exchange Control for all company restructuring proposals:-

- i. An organogram showing the group's ownership structure and percentage shareholding both before and after the proposed restructuring;
- ii. The rationale for restructuring and basis for share swap;
- iii. Latest audited financial statements for the swapping entities.

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<sup>28</sup> Occurs when there is a re-arrangement or reorganization of the shareholding structure of a company due to a swap or issuance of new shares to existing shareholders.

## Cross Border Investments

5.2.5.18 This relates to outward foreign direct investment by Zimbabwean residents<sup>29</sup> into foreign or offshore markets, subject to meeting Exchange Control criteria.

5.2.5.19 Crossborder investments should benefit the country in terms of, *inter alia*, creation of new market opportunities, employment and generation of foreign currency resources.

5.2.5.20 Crossborder investments can be in the form of the establishment of offshore branches or subsidiaries and these proposals require prior Exchange Control approval, where consideration is done on a case by case basis.

5.2.5.21 Residents with approved crossborder investments are not allowed to create foreign liabilities or exposures which have a reducing effect on their shareholding or create foreign obligations for the country in the event of default. In cases where such borrowing becomes

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<sup>29</sup> Individuals that hold free funds do not need to submit applications to Exchange Control for crossborder investments.

necessary, prior Exchange Control approval is required.

## Application Details for Crossborder Investment Proposals

5.2.5.22 The following information must be submitted to Exchange Control with the application for crossborder investments:-

- i. The name of the company investing offshore;
- ii. Detailed ownership structure, including residential status of the shareholders of the company;
- iii. The company's local and foreign business focus;
- iv. The rationale for investing offshore as well as the company's focus on the new proposed project;
- v. The initial capital requirement, *i.e.* purchase consideration or payment terms (source of funding);
- vi. A five-year historical analysis of the company's operations as well as export track record supported by suitable documentary evidence and;
- vii. A five-year cash-flow projection, clearly showing the investments anticipated, annual turnover, total costs, net profits, dividends and other income

accruing to Zimbabwe<sup>30</sup> from the crossborder investment.

## 5.2.6 Investment in Listed Companies

5.2.6.1 Guidelines governing the participation of foreign investors or non-residents on the Zimbabwe Stock Exchange.

### Listed Shares (Equities)

5.2.6.2 Foreign investors or non-residents may participate on the Zimbabwe Stock Exchange provided they finance the purchase of shares by inward transfer of foreign currency through normal banking channels.

5.2.6.3 The purchase of shares shall be limited to 40% of the total equity of the company with a single investor acquiring a maximum of 10% of the shares on offer. These limits are in addition to any foreign shareholding existing in the companies prior to 1<sup>st</sup> May 1993.

5.2.6.4 Non resident Zimbabweans can invest up to 70% on the Stock Exchange and the investments proceeds

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<sup>30</sup> The payback period for all investments funded from Zimbabwean resources should not exceed 4 years.

will qualify for 100% remittability rights subject to deduction of the relevant withholding tax.

5.2.6.5 Disinvestment proceeds will be freely remittable.

5.2.6.6 Any amounts arising from capital appreciation and capital gains made on disposal of such investments will be freely remittable subject to the deduction of capital gains tax.

5.2.6.7 Corporate entities<sup>31</sup> are not permitted to acquire shares on external stock exchanges in terms of existing Exchange Control regulations.

### Modus Operandi for Investment on the Zimbabwe Stock Exchange

5.2.6.8 No prior Exchange Control approval will be necessary for foreign investors wanting to participate on the Zimbabwe Stock Exchange.

5.2.6.9 Authorised Dealers shall on behalf of non-resident investors receive funds for onward transmission to Stock Brokers for purchase of shares.

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<sup>31</sup> This does not apply to "free funds" (holders) as defined in these Guidelines.

- 5.2.6.10 Shares purchased on behalf of the foreign investors shall be registered into either their own names or the names of Nominee Companies.
- 5.2.6.11 The share certificates, once registered accordingly should be endorsed 'NON-RESIDENT, and for dual quoted shares, a further endorsement 'FOR SALE WITHIN ZIMBABWE ONLY', will be required. Authorised Dealers will be responsible for such endorsement. The certificates may be delivered to the foreign investor or his bankers according to instructions.
- 5.2.6.12 For the purpose of dividend payments, the investors will enjoy 100% dividend remittance rights, and Authorised Dealers can process these remittances without prior Exchange Control approval.
- 5.2.6.13 The Transfer Secretary of each listed company shall



be responsible for ensuring that the 10% per foreign investor and the 40% overall limits are adhered to.

- 5.2.6.14 If shares are to be registered in the name of a local Nominee Company, it shall be the responsibility of that company to inform the Transfer Secretary on whose behalf shares are held to comply with the 40% and 10% limits.
- 5.2.6.15 Should a foreign investor exceed the 10% limit, the Transfer Secretary shall not effect registration and is obliged to report to the Zimbabwe Stock Exchange. The latter shall issue a directive to the investor to sell the excess shares within sixty days. Any losses incurred shall be for the investor's account. The Zimbabwe Stock Exchange shall be required to report the matter to the Reserve Bank of Zimbabwe.
- 5.2.6.16 Should the new collective foreign ownership exceed the 40% limit, the Transfer Secretary shall be obliged to report to the Stock Exchange who should

give a directive to the foreign investor responsible for exceeding the limit (on the basis of LIFO) to sell sufficient shares to bring the collective ownership within the 40% ceiling. Any losses incurred shall be dealt with as in (5.2.6.15) above.

5.2.6.17 On disinvestments, the shares shall be sold by the stock broker on instruction. Authorised Dealers, after satisfying themselves with the transactions, shall arrange a draft to be sent to the foreign investor without seeking prior Exchange Control approval.

5.2.6.18 Zimbabwe Stock Exchange shall submit monthly returns to Exchange Control, on all transactions effected over the period, i.e. amounts received, shares purchased and any disinvestments.

## 5.2.7 Investment on the Money Market

5.2.7.1 Foreign investors may subscribe for up to 35% of primary issues of bonds and stocks provided the purchase is financed by inward transfer of foreign currency through normal banking channels.

5.2.7.2 There is no limit on the level of participation by each investor, who are free to dispose of their investments in the secondary market. However, the foreign investors are not permitted to make purchases from the secondary market.

## 5.2.8 Dual Listing

5.2.8.1 All cases for dual listing shall require prior Exchange Control approval.

5.2.8.2 In cases of dual listing, the primary listing shall be on the Zimbabwe Stock Exchange with a minimum of at least 60% of listed shares at all times. Foreign investors shall, however, be permitted to buy up to 40% of the shares in the dual listed company in line with existing Exchange Control policy.

5.2.8.3 Full fungibility shall be permitted up to 40% of the company's shares held by foreigners.

5.2.8.4 Where secondary listing is on the Zimbabwe Stock Exchange, full fungibility is not permitted.

## Modus Operandi for Dual Listed Shares

### 5.2.8.5 Local Sellers

- i. Shares are delivered in negotiable order to a Zimbabwe broker.
- ii. Shares can be sold offshore if there is no Zimbabwe buyer and if the price offshore is higher.
- iii. These shares are then sold offshore by a foreign broker.
- iv. The foreign broker then confirms the sale to the Zimbabwe broker.
- v. The sale confirmation and documentation in negotiable order are sent to the local transfer secretaries and the Zimbabwe Stock Exchange.
- vi. The transfer secretary issues a Removal Receipt upon approval by the Zimbabwe Stock Exchange.
- vii. The Zimbabwe broker sends the foreign broker the Removal Receipt.
- viii. The foreign broker remits the proceeds to the Zimbabwe broker through normal banking

channels.

- ix. The Zimbabwe broker pays his Zimbabwe client.
- x. The Zimbabwe broker furnishes proof of the receipt of foreign funds to the transfer secretary within 30 days of the sale. The letter from the bank confirming receipt of funds is to be signed by two authorized signatories and submitted to Zimbabwe Stock Exchange and Exchange Control.
- xi. The Zimbabwe Stock Exchange will monitor the activities of brokers and transfer secretaries.
- xii. The Removal Receipt is the release in effect of the scrip prior to release of funds.
- xiii. The 30-day period will be strictly enforced. Primary responsibility for ensuring compliance with the procedures rests with the transfer secretary who will report any non-compliance to the Zimbabwe Stock Exchange and the Reserve Bank of Zimbabwe.

#### 5.2.8.6 Foreign Investor

- i. Authorized Dealers have to advise the Reserve Bank of receipt of funds through normal banking channels supported by suitable documentary evidence.
- ii. Foreigners who wish to transfer shares to an external register may only do so by first presenting evidence of the inward transfer of funds to the Transfer Secretary who will advise Zimbabwe Stock Exchange.
- iii. The Transfer Secretary will issue a Removal Receipt upon approval of the inward transfer of funds by the Zimbabwe Stock Exchange and presentation of suitable evidence, including the transfer form and the share certificate.
- iv. The foreign investor will use the Removal Receipt to effect the transfer of shares to the external register.

### 5.2.8.7 Inward Transfer of shares

- i. Foreign investors may transfer shares from an external register to the Zimbabwe register, sell the shares and repatriate the proceeds using existing procedures in place for dual listed shares.
- ii. Zimbabwe resident individuals may not purchase shares externally unless they have 'free funds'. Zimbabwean companies and corporate bodies may not purchase shares externally.

### 5.2.9 Removal of Shares Between Registers

5.2.9.1 The removal of a security from a Register in Zimbabwe to a Register outside Zimbabwe requires the prior permission of the Exchange Control.

5.2.9.2 The removal of a security from a Register outside Zimbabwe to a Register in Zimbabwe, similarly requires the prior permission of the Exchange Control.

## 5.3 Remittance of Proceeds on Depreciation of Direct Investments

5.3.1 Foreign investors with formally approved investments may remit depreciation proceeds arising from their direct investments of assets. These remittances however, require verification and certification by Exchange Control before remittances, to ensure compliance with International Accounting Standards.

## 5.4 External Loans and/or Trade Credits

### 5.4.1 Registration of Loans

5.4.1.1 Authorised Dealers can process external loans and/or trade credits of up to USD5 million without prior ELCC approval. All applications for external loans in excess of the stipulated threshold must be submitted to the Reserve Bank for ELCC approval.

5.4.1.2 All external loans and/or trade credits must be processed in line with the existing ELCC guidelines<sup>32</sup>. Authorised Dealers shall submit a monthly return (EC Form Loans) to Exchange Control.

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<sup>32</sup> Fees exclude legal and out of pocket expenses typical for all loan agreements; as these terms are only indicative; the ELCC expects Authorised Dealers to be prudent to negotiate where possible, better terms; and all loans shall be contracted through normal banking channels.



5.4.1.3 Authorised Dealers shall submit a monthly return (EC Form 2L) to Exchange Control by the 7<sup>th</sup> of the following month for transactions of the previous month (See Appendix 4).

5.4.1.4 All applications for external loans and/or trade credits above the stipulated threshold should be addressed to:

The Secretary  
External Loans Coordinating Committee (ELCC)  
Reserve Bank of Zimbabwe  
80 Samora Machel Avenue  
P O Box 1283  
HARARE

## 5.4.2 Repayment of Loans

5.4.2.1 Authorised shall process all loan principal and interest repayment applications, for all loans approved in terms of the ELCC criteria, without seeking Exchange Control approval.

## 5.5 Letters of Credits

5.5.1 Authorised Dealers may establish letters of credit with

cash cover, for their clients, without seeking Exchange Control approval. Such arrangements which are normally done to provide payment comfort between exporters and importers are critical for the promotion of smooth trade. Authorised Dealers may therefore issue letters of credit structured with external lenders to deserving clients with capacity to perform their obligations.

## 5.6 Lending by Authorised Dealers

### 5.6.1 To Residents

5.6.1.1 Authorised Dealers<sup>33</sup> can on-lend funds to individuals and corporates at market determined interest rates, to meet current account and domestic funding requirements without seeking prior permission from Exchange Control. However, any lending to meet capital account obligations<sup>34</sup> requires specific Exchange Control approval.

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<sup>33</sup> This includes Banks with Limited Dealership Authority, that are allowed to on lend to individuals and corporates through their Managing Banks (Authorised Dealers);

<sup>34</sup> This relates to transactions such as dividend and loan repayments, financing of foreign direct and portfolio investment.

5.6.1.2 Authorised Dealers are advised that it is not the requirement of Exchange Control to have documentation (invoices) submitted for payment purposes but banks are expected to exercise due diligence and apply prudential lending practices in advancing loans to individuals and corporates.

5.6.1.3 Authorised Dealers shall on a weekly basis submit EC Form Loans to Exchange Control for all loans and overdrafts extended to clients in the previous week. The EC Form Loans must be submitted every Monday by 10.00 hr. (See Appendix 5)

## 5.6.2 To Non-Residents

5.6.2.1 Non-resident individuals may not borrow from Authorised Dealers without prior Exchange Control approval. Non-resident controlled companies may borrow locally to finance working capital on ratio of 1:1 with shareholders funds, i.e. the total amount they can borrow may not exceed their shareholders funds.

5.6.2.2 Exchange Control regards shareholders funds to

include; issued share capital; share premium; capital/revenue reserves; shareholders' loans; and retained earnings. Such borrowing shall however, require prior Exchange Control authority.

## 5.7 Use of Financial Derivatives

5.7.1 For Exchange control purposes, a derivative shall be defined as a financial instrument whose value derives from some underlying asset price, reference rate or index such as a stock, bond, currency, or a commodity.

5.7.2 Authorised Dealers may now enter into derivative transactions, such as forward contracts, futures, securitization instruments, swaps, options and other similar financial instruments.

5.7.3 Authorised Dealers may arrange financial derivatives of value less than USD5 million, for locals and or resident financial players, without seeking Exchange Control approval. Issuance of such derivatives should however be done under advice to Exchange Control.

- 5.7.4 Where foreigners are involved in the derivatives, which may be in instruments which either involve initial outlay, physical delivery and commodities, specific Exchange Control approval shall be required.
- 5.7.5 Authorised Dealers must exercise prudence when dealing in derivative products, and ensure that they put in place appropriate risk management strategies to mitigate against prevalence of risks emanating from trading in these instruments.

## 5.8 Exchange Control Review Committee

- 5.8.1 All Capital Account applications and foreign transactions not covered in both the Exchange Control Regulations Statutory Instrument 109 of 1996 and Exchange Control (General) Order, (Statutory Instrument 110 of 1996), are subject to prior approval by the Exchange Control Review Committee.
- 5.8.2 The ECRC meets once every week, to review applications, and all Review Applications are normally processed within 14 days from the date of submission of sufficient application details.

5.8.3 Exchange Control reserves the right to request additional information in cases where submitted details are not adequate to enable the Committee to make a decision on the application.

## 5.9 Other - Second Appeals and/Or Exemptions

5.9.1 Any person who is not satisfied by Exchange Control's decision(s) may appeal against the decision(s) within 30-days after being notified of the decision(s), to the Exchange Control Review Committee, through their Authorised Dealers.

5.9.2 The Committee, after deliberating on the matter as it considers necessary, may confirm, vary or set aside the Exchange Control's decision.

## SECTION SIX

### 6 RETURNS TO THE RESERVE BANK

#### 6.1 Submission of Returns

6.1.1 Authorised Dealers are required to submit Exchange Control Returns to Exchange Control Division through the Authorised Dealers' Head Office and these returns must be submitted electronically through Bank Supervision Application System (BSA).

6.1.2 In addition, hard copies duly signed by authorised signatories must be submitted to Exchange Control with the relevant attachments/documentation.

#### 6.2 Section 41 of the Exchange Control Regulations

6.2.1 Authorized Dealers are required to declare that the information contained on every return is, in its entirety, true and correct. This declaration is made in compliance with the provisions of Section 41 of the Exchange Control Regulations, Statutory Instrument 109 of 1996.

6.2.2 The following Exchange Control returns are submitted to the Reserve Bank also for Balance of Payments reporting purposes.



## 6.3 Exchange Control Returns

### 6.3.1 Nostro Balances Return

6.3.1.1 Authorised Dealers shall on a weekly basis submit EC Form Nostro to Exchange Control every Monday by 10.00hrs for balances on the preceding Friday. (See Appendix 1).

- The first column is for the Name of the Bank where the Nostro Account is held.
- The second column is for currency code.
- The third column is for the balance amount in its original currency
- The fourth column is for the amount of exporters funds included in the account balance
- The fifth column is for the export proceeds which are in transit included in the account balance
- The sixth column is for the amount of free funds included in the account balance.
- The seventh column is the uncleared effects, e.g. Drafts

- The eighth column is other funds held in the nostro account which must be specified or disclosed in column nine.
- The ninth column is the contractual balance.
- The tenth column is the USD equivalent of the nostro account balance.

### 6.3.2 External Payments Returns

6.3.2.1 Authorised Dealers are required to submit to Exchange Control, EC Form EXP (Appendix 3) and EC Form Non EXP (Appendix 2). The E/C Form Non Exp shows the outward payments made by non exporters and EC Form Exp shows outward payments made using exporters funds.

6.3.2.2 Attached are the templates of the two templates of the two forms.

- Column 1 shows the name of applicant.

- Column 2 is the clients' sector code.
- In column 3, the Authorised Dealer must indicate the name of the beneficiary.
- In column 4, the Authorised Dealer must show the transaction code e.g. RAW for raw materials, FUE for fuel, DEB for debt servicing.
- Column 5 shows the currency code e.g. USD, ZAR, GBP, BWP.
- Column 6 shows the amount paid by the banks' client.
- Column 7 shows the exchange rate applicable.
- In column 8, the Authorised Dealer must indicate the Exchange Control Authority Number (ECAN).
- Column 9 shows the date on which the ECAN was issued.

### 6.3.3 External Loan Transactions Return

6.3.3.1 Authorised Dealers are required to submit on monthly basis information pertaining to all external loan transactions. This return must be submitted to Exchange Control by the 7<sup>th</sup> of each month for transactions of the preceding month (Appendix 4).

6.3.3.2 The following information should be furnished together with the E/C Form 2L:-

- Global pre – shipment finance facilities and amount to lent to the bank’s clients.
- Direct loans approved by ELCC for the bank’s clients.
- Documentary evidence on the actual disbursements made e.g. TT’s drafts.
- Application or treatment of the funds.
- Repayment schedule of each advance made to the bank’s clients.
- A monthly loan account statement for each bank client.
- Column 1 on the form shows the name of the client.
- Column 2 is for the external loan facility amount.
- In column 3, the Authorised Dealer must enter the Exchange Control Authority Number or the ELCC authority under which the loan was registered and approved.
- In column 4, the Authorised Dealer must indicate whether the loan is a direct loan or on-lent from a global facility.

- In column 5, the Authorised Dealer must indicate the opening outstanding balance carried forward from the previous month.
- Column 6 shows the amount which was disbursed during the month.
- In column 7, the Authorised Dealer must indicate the repayment schedule of the loan that is the start and end date.
- Column 8 shows the repayment amount for the month, that is, the amount the client is supposed to pay during that month as loan repayment.
- Column 9 indicates the actual amount paid by the client towards repayment of the loan.
- Column 10 shows the cumulative amount paid to date.
- Column 11 shows the amount of the loan which is still outstanding. This amount is to be carried forward to the next month.

#### 6.3.4 Domestic Foreign Currency Loans Return

##### 6.3.4.1 Authorised Dealers are required to declare all loans

6.3.4.2 and overdrafts extended to their clients on the E/C Form Loans. This return should be submitted to Exchange Control by 1000 hours every Monday, for all loans and overdrafts for the previous week (Appendix 5).

- On top of the form there is a space for the institution code, financial year, start date and end date. These are to be completed accordingly by the Authorised Dealer.
- The first column is for the Name of the client name.
- The second column is for Sector of the Bank's client.
- The third column is for the date when the loan or overdraft was established.
- The fourth column is for the source of funds, which may be either FCA deposits or external lines of credit.
- The fifth column is for the currency code.
- The sixth column is for the amount of loan/overdraft.
- The seventh column is the USD equivalent of the loan amount on the date of establishment.
- The eighth column is the interest rate after factoring LIBOR.
- The ninth column is the period of the loan in days.

- The tenth column is the repayment amount in USD terms.
- The eleventh column is the purpose of the loan.

### 6.3.5 Foreign Currency Inflows Return

6.3.5.1 Authorised Dealers are required to declare all their foreign currency inflows on the E/C Form 1 (Appendix 6). This return should be submitted to Exchange Control by 1000 hours every business day, for all foreign currency receipts of the previous day. The E/C Form 1 must be submitted to Exchange Control with the following attachments/documentation.

- Verifiable and authenticated documentation as proof of foreign currency receipts by the bank, i.e. copies of telegraphic transfers, deposit slips and bank drafts that relate to foreign currency receipts of that day.
- Transaction invoices for all foreign currency cash that relates to export proceeds.

- Relevant External Loans Coordinating Committee authority for all external loan proceeds requiring ELCC approval.
- Where the bank can immediately identify the application of the funds, or the associated CD1 number, the relevant printout should be immediately and on discharge, be sent with the batch.
- On top of the form there is a space for the institution code, financial year, start date and end date. These are to be completed accordingly by the Authorised Dealer.
- The first column is for the Beneficiary's name. In this space the Authorised Dealer must enter the name of the beneficiary of the funds.
- The second column is for the Nostro Account that is the account through which the funds were received.
- The third column shows the exporters sector code for example AGRI(TB) for tobacco under agricultural sector, AGRI(FL) for floriculture under agricultural sector, MINI(GL) for gold under mining sector .
- The fourth column is for the name of the consignee.
- The fifth column shows the type of receipt i.e. export proceeds, loan proceeds, free funds etc.
- The sixth column shows the number of days of Form



CD1, CD3, TR1, TR2 acquittal. In this section, the Authorised Dealer must enter the number of days of the acquittal of the relevant export documents.

- The seventh column shows the Form CD1, CD3, TR1, TR2 number.
- The eighth column is that of the currency code for example ZAR, USD, EUR, and GBP.
- The ninth column is that for the amount received. The Authorised Dealer must enter the amount received for that particular beneficiary.
- The tenth column shows the client's FCA retention.
- The eleventh column is the FCA gold producers' column.
- The twelfth column shows the loan proceeds to be retained in FCA.
- The thirteenth column shows the free funds retained in the client's FCA.
- The fourteenth column is for the offshore loan repayment i.e. the amount allocated for loan repayment by the client.
- The fifteenth column is for other funds where Exchange Control Authority has been given.

- The sixteenth column is the (ECAN) column. This is where the Authorised Dealer indicates the Exchange Control Authority Number.
- The seventieth column shows the funds awaiting client's instruction. These are the funds which are still in the suspense account.

### 6.3.6 Money Transfer Agencies Return

6.3.6.1 Money Transfer Agencies (MTAs) are required to submit to Exchange Control on a weekly basis, EC Form MTW (Appendix 7) showing details of their transactions of the previous week by 10.00 hours every Monday.

6.3.6.2 The return columns are as follows;

- Column 1 shows the date on which the transaction was made.
- In column 2, the Authorised Dealer must indicate the currency code e.g. USD, ZAR, CAD, AUD.

- Column 3 shows the amount received by the client which is the USD equivalent.
- In column 4, the Authorised Dealer must indicate the rate which was applied.
- In column 5, the Authorised Dealer must show the US Dollar equivalent.

# APPENDICES

## Appendix 1: EC FORM NOSTRO

EC-FORM-NOSTRO

INSTITUTION CODE:

FINANCIAL YEAR:

START DATE:

END DATE:

1	2	3	4	5	6	7	8	9	10	11
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NOSTRO ACCOUNT	CURRENCY CODE	ACCOUNT BALANCE	EXPORTER'S FCA BALANCES	EXPORT PROCEEDS IN TRANSIT	FREE FUNDS	UNCLEARED EFFECTS eg DRAFTS	OTHER	(SPECIFY )	CONTRACTUAL BALANCE	USD EQUIVALENT OF NOSTRO ACCOUNT BALANCE

## APPENDIX 2: EC FORM NON EXP

EC-FORM-NON-EXP

INSTITUTION CODE:	
FINANCIAL YEAR:	
START DATE:	
END DATE:	

NAME OF APPLICANT	SECTOR	NAME OF BENEFICIARY	TRANS CODE	CUR CODE	AMOUNT	EXCHANGE RATE	ECAN	ECAN DATE

### APPENDIX 3: EC FORM EXP

EC-FORM-EXP

INSTITUTION CODE:	
FINANCIAL YEAR:	
START DATE:	
END DATE:	

NAME OF APPLICANT	SECTOR	NAME OF BENEFICIARY	TRANS CODE	CUR CODE	AMOUNT	EXCHANGE RATE	ECAN	ECAN DATE

## APPENDIX 4: EC FORM 2L

EC-FORM-2L-D										
INSTITUTION CODE:										
FINANCIAL YEAR:										
START DATE:										
END DATE:										
1	2	3	4	5	6	7	8	9	10	11
Name of Beneficiary	External Loan Facility Amount	ELCC Authority Number	Nature of Facility (Direct Loan or On-Lent from Global facility)	Opening Outstanding balance from previous month (column 11 of previous month)	Amount disbursed during the month( documentary evidence attached e.g. TT)	Repayment schedule ( Start and end date) and frequency e.g monthly, semi-annually	Repayment amount for the month	Actual amount repaid for the month	Cumulative Amount paid to date	Outstanding balance (column 5+6 less 8)

## APPENDIX 5: EC FORM LOANS

**EC-FORM-  
LOANS**

INSTITUTION CODE:	
FINANCIAL YEAR:	
START DATE:	
END DATE:	

1	2	3	4	5	6	7	8	9	10	11
NAME OF CLIENT	SECTOR	LOAN ESTABLISHMENT DATE	SOURCE OF FUNDS	CCY	AMOUNT	USD EQUIVALENT	INTEREST RATE	TENOR	REPAYMENT AMOUNT	PURPOSE



## APPENDIX 6: EC FORM 1

EC-FORM-1																
INSTITUTION CODE:																
FINANCIAL YEAR:																
START DATE:																
END DATE:																
FOREIGN CURRENCY RECEIPTS									TREATMENT OF RECEIPTS							
BENEFICIARY NAME	NOSTRO ACC i.e. ACC THROUGH WHICH FUNDS WERE RECD	EXPTR SECTOR CODE	NAME OF CONSG	TYPE OF RECEIPT (CODE)	No OF DAY S OF FORM CD1, CD3 TR1, TR2	FORM CD1, CD3 TR1, TR2 No	CUR R C D E	AMN T R E C E I V E D (100 %)	EXPTR FCA R E T E N T I O N	FCA G O L D P R O D	L O A N P R C D S R E T A I N E D I N F C A	F R E E F U N D S R E T A I N E D I N C L I N T F C A	O F S H R L O A N R E P A Y M E N T	O T H E R	S P E C I F Y (E C A N)	F U N D S A W A I T I N G C L I E N T I N S T N (S S P N S)

APPENDIX 7: EC FORM MTW

EC-FORM-MTW				
INSTITUTION CODE:				
FINANCIAL YEAR:				
START DATE:				
END DATE:				
TRANSACTION DATE	CURRENCY CODE	AMOUNT RECEIVED	RATE APPLIED	USD EQUIVALENT

## APPENDIX 8: List of Authorised Dealers in Zimbabwe

Name	Address – Head Office
1. Agricultural Bank of Zimbabwe	Hurudza House 14-16 Nelson Mandela Avenue <u>HARARE</u>
2. BancABC Limited	1 Endeavour Crescent Mount Pleasant <u>HARARE</u>
3. Barclays Bank of Zimbabwe	Cnr Paisley Road/ Birmingham Road <u>HARARE</u>
4. CFX Merchant Bank Limited	Century Towers, 45 Samora Machel Avenue <u>HARARE</u>
5. Commercial Bank of Zimbabwe Limited	60 Nkwame Nkrumah Avenue <u>HARARE</u>
6. First Banking Corporation	Old Reserve Bank Building 76 Samora Machel Avenue <u>HARARE</u>
7. Genesis Investment Bank Limited	Cnr House Samora Machel Avenue <u>HARARE</u>
8. Interfin Merchant Bank Limited	3 <sup>rd</sup> Floor, Social Security Centre Cnr. J. Nyerere Way / 2 <sup>nd</sup> Street <u>Harare</u>

Name	Address – Head Office
9. Intermarket Banking Corporation Limited	10 <sup>th</sup> Floor, Intermarket Centre Cnr, 1 <sup>st</sup> First Street / Kwame Nkrumah Avenue <u>HARARE</u>
10. Kingdom Bank Limited	6 <sup>th</sup> Floor, Karigamombe Centre 53 Samora Machel Avenue <u>Harare</u>
11. MBCA Bank Limited	Old Mutual Centre Third Street <u>HARARE</u>
12. Metropolitan Bank of Zimbabwe Limited	Metropolitan House 3 Central Avenue <u>HARARE</u>
13. NMB Bank Limited	1 <sup>st</sup> Floor, Unity Court <u>HARARE</u>
14. Premier Banking Corporation	2 Pious Road Block A, Sam Levy's Office Park Borrowdale <u>HARARE</u>
15. Renaissance Merchant Bank	7 <sup>th</sup> Floor, Karigamombe Centre 53 Samora Machel Avenue <u>HARARE</u>
16. Stanbic Bank of Zimbabwe Limited	59 Samora Machel Avenue <u>HARARE</u>
17. Standard Chartered Bank Zimbabwe Limited	John Boyne House 38 Speke Avenue <u>HARARE</u>

Name	Address – Head Office
18. TN Bank Limited	5 <sup>th</sup> Floor 101 Union Building Kwame Nkrumah
19. Zimbabwe Allied Banking Group	13 <sup>th</sup> Floor, Social Security Centre Cnr. Sam Nujoma/Julius Nyerere Way <u>HARARE</u>
20. ZB Bank Limited	Zimbank House First Street <u>HARARE</u>

DR G. GONO  
GOVERNOR  
RESERVE BANK OF ZIMBABWE

JULY 2009