



**OPERATIONAL MODALITIES FOR SPECIAL
FOREIGN CURRENCY ACCOUNTS (FCAs) FOR
THE PLATINUM INDUSTRY: THE ENHANCED
PLATINUM SECTOR REGIME (EPSR)**

27 JANUARY 2005

1. BACKGROUND

- 1.1 As announced in the Reserve Bank of Zimbabwe's Monetary Policy Statement of 28 October 2004, under the Enhanced Platinum Sector Regime (EPSR), platinum exporters are required to operate special Foreign Currency Accounts (FCAs).
- 1.2 The guidelines outlined herein seek to clarify and explain the technical and operational modalities for implementing this new initiative which comes into operation with effect from 1 February 2005.

1.3 Dialogue took place between the players, the industry and the Reserve Bank. The Reserve Bank, Ministry of Finance and Economic Development, Ministry of Mines and Mining Development, Minerals and Marketing Corporation of Zimbabwe (MMCZ) went to meet and addressed the investor community in Capetown, South Africa on 29 November 2004, then on 30 November 2004 in Johannesburg.

2 OBJECTIVE OF THE FRAMEWORK

2.1 This framework, seeks to balance the need to protect and support the interests of investors while at the same time, optimizing transparency in the handling of platinum foreign exchange inflows.

2.2 It is imperative to note that the Reserve Bank of Zimbabwe is fully aware of the need to be accommodative when it comes to special circumstances relating to certain leveraged financing programs put in place by the investor community and the generality of trade creditors.

3. INTERNATIONAL CALLS FOR INCREASED TRANSPARENCY AND ACCOUNTABILITY

3.1. In the 3rd Quarter Monetary Policy Review Statement, the Bank alluded to the fact that the international community, including the World Bank, is calling for greater transparency and accountability in the exploitation and usage of revenues from extractive industries.

3.2. This is in view of the fact that activities in the extractive industries should yield maximum benefits, not only to investors, but also to the countries concerned.

3.3. From page 4 of the review document titled: **“Striking a Better Balance: The World Bank Group and Extractive Industries: The Final Report of the Extractive Industries Review”** (September 17 2004) under the Extractive Industries Transparency Initiative (EITI) policy framework, Governments are encouraged to better account for revenue receipts from extractive industries.

3.4. In addition, Governments are also called upon to make publicly available the relevant terms of key agreements and to ensure that local communities (population) benefit from such extractive industries.

4. CURRENT STRUCTURE OF THE INDUSTRY

4.1. Currently, the Platinum Industry largely operates under a fragmented framework in which the processing and marketing agreements are not quite comprehensible to many.

4.2. In this environment, it has become increasingly difficult to account for the country's foreign exchange receipts arising from the extractive industry.

4.3. In view of this, it is imperative that a new set of guidelines be put in place to ensure transparency, accountability and maximum benefit from the natural resource.

5. NEW OPERATIONAL GUIDELINES FOR THE PLATINUM INDUSTRY

STAGE ONE: OPENING OF ACCOUNTS

- 5.1. Platinum exporter approaches a local Zimbabwean commercial or merchant bank, which shall be referred to as the Managing Bank, so that a Foreign Currency Account (FCA), to be known as a **Collection Account (CA) FCA**, is opened for them in an offshore bank account, in the form of an **Evidence Account (EA)**.
- 5.2. The local commercial or merchant bank in turn approaches the Reserve Bank to open a mirror **Trust Account** for the exporter. “Trust” here shall mean that the account can only and will transact solely on instructions from the exporter.
- 5.3. The RBZ opens three accounts in its books, namely an Operating Foreign Currency Account (OFCA), Debt Service Sinking Fund (DSSF) FCA and Dividend Sinking Fund (DSF) FCA.

6. STAGE TWO: DEPOSITING INTO THE ACCOUNTS

- 6.1.** Exporter realizes export proceeds, draws down on offshore loans, or injects equity into his company.
- 6.2.** Proceeds are channeled into the Collection Account, as in (5.1) above.
- 6.3.** The Managing Bank shall ensure that the funds deposited into the Collection Account are in accordance with rules and regulations of Zimbabwe's Exchange Controls and the guidelines of the country's External Loans Coordinating Committee (ELCC).
- 6.4.** On an ongoing basis, Reserve Bank of Zimbabwe's Exchange Control Division and the ELCC shall verify conformity with set guidelines.

7. STAGE THREE: MANAGEMENT OF ACCOUNTS

- 7.1.** Upon notification of receipt of funds into the Collection Account, the exporter through the Managing Bank shall, in compliance with the Gold Trade Act, immediately sell

the Gold Component of the platinum proceeds to the Reserve Bank of Zimbabwe, as is the case with all gold producers.

7.2. The Managing Bank shall transfer the remainder of the proceeds, which essentially should reflect platinum proceeds, into the exporters Trust Foreign Currency Accounts, namely

- a) Dividend Sinking Fund (DSF) FCA
- b) Debt Service Sinking Fund (DSSF) FCA
- c) Operating Foreign Currency Account (OFCA)

7.3. The allocations into the Trust Foreign Currency Accounts shall depend on the nature of the instruction from the exporter and pre-agreed benchmarks, such as company dividend policy as sanctioned by the exporting companies' Board of Directors, and outstanding debt service commitments.

8. STAGE FOUR: UTILIZATION OF ACCOUNT BALANCES

- 8.1.** Utilization of the Operating Foreign Currency Account (OFCA), Dividend Sinking Fund (DSF) FCA or Debt Service Sinking (DSSF) FCA, shall follow the normal Exchange Control procedures of application and clearance.
- 8.2.** Once compliance with Exchange Control requirements has been certified, the RBZ will promptly transfer funds from the relevant Trust FCA, into the Managing Bank's offshore account.
- 8.3.** The Managing Bank will, in turn, transfer the funds into the account of the beneficiary, as instructed by the exporter.

9. TRUST FOREIGN CURRENCY ACCOUNTS

9.1. Operating Foreign Currency Account

9.1.1. Inflows into the Operating Foreign Currency Account (OFCA) shall include all foreign exchange held in the collection account after deposits into the Dividend Sinking Fund (DSF) FCA and the Debt Service Sinking Fund (DSSF) FCA have been effected in line with Exchange Control approvals on both dividend cover and loan repayment coverage.

9.1.2. Funds shall be held in the Operating Foreign Currency Account (OFCA) for up to forty-five (45) days (one and half months) from the date of deposit, after which outstanding balances, shall be liquidated on the market at the ruling foreign exchange auction rate.

9.2. Dividend Sinking Fund FCA

- 9.2.1. On declaration of a dividend by the board, an application shall be submitted to Exchange Control supported by the required documents and on approval, dividends shall be paid out immediately from the Dividend Sinking Fund FCA.
- 9.2.2. The Reserve Bank shall release the funds held in the Dividend Sinking Fund Trust Account, through the Managing Bank, to effect immediate payment of the dividends.
- 9.2.3. In the event that the exporter's operations, require additional funding, which cannot be met from the Operating Foreign Currency Account (OFCA), the Dividend Sinking Fund Account may be utilized by the exporter to ensure business continuity, under advice to Exchange Control.

9.3. Debt Service Sinking Fund FCA

- 9.3.1. To effect payment from the Debt Service Fund FCA, the exporter is required to submit an application to Exchange Control quoting the ELCC approval.
- 9.3.2. At any given point in time, however, the Debt Service Sinking Fund FCA shall hold funds equivalent to a maximum of two (2) months debt repayment cover, consistent with the outstanding loan(s) amortization terms.
- 9.3.3. Loan obligations shall be effected on instructions from the exporter, through the Managing Bank, for example, through standing debit order arrangements.

10. Special Considerations

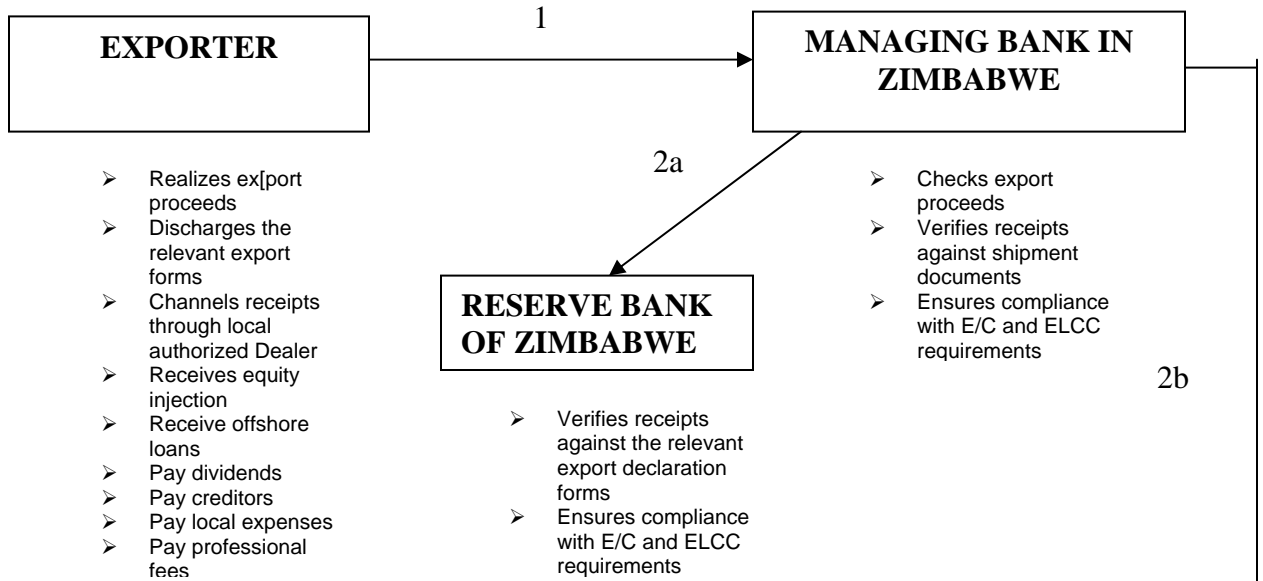
10.1. Variations to the operation of these special FCAs shall be subject to Reserve Bank's approval on a need basis, especially to meet lenders/creditors requirements in deal-specific transactions.

RESERVE BANK OF ZIMBABWE

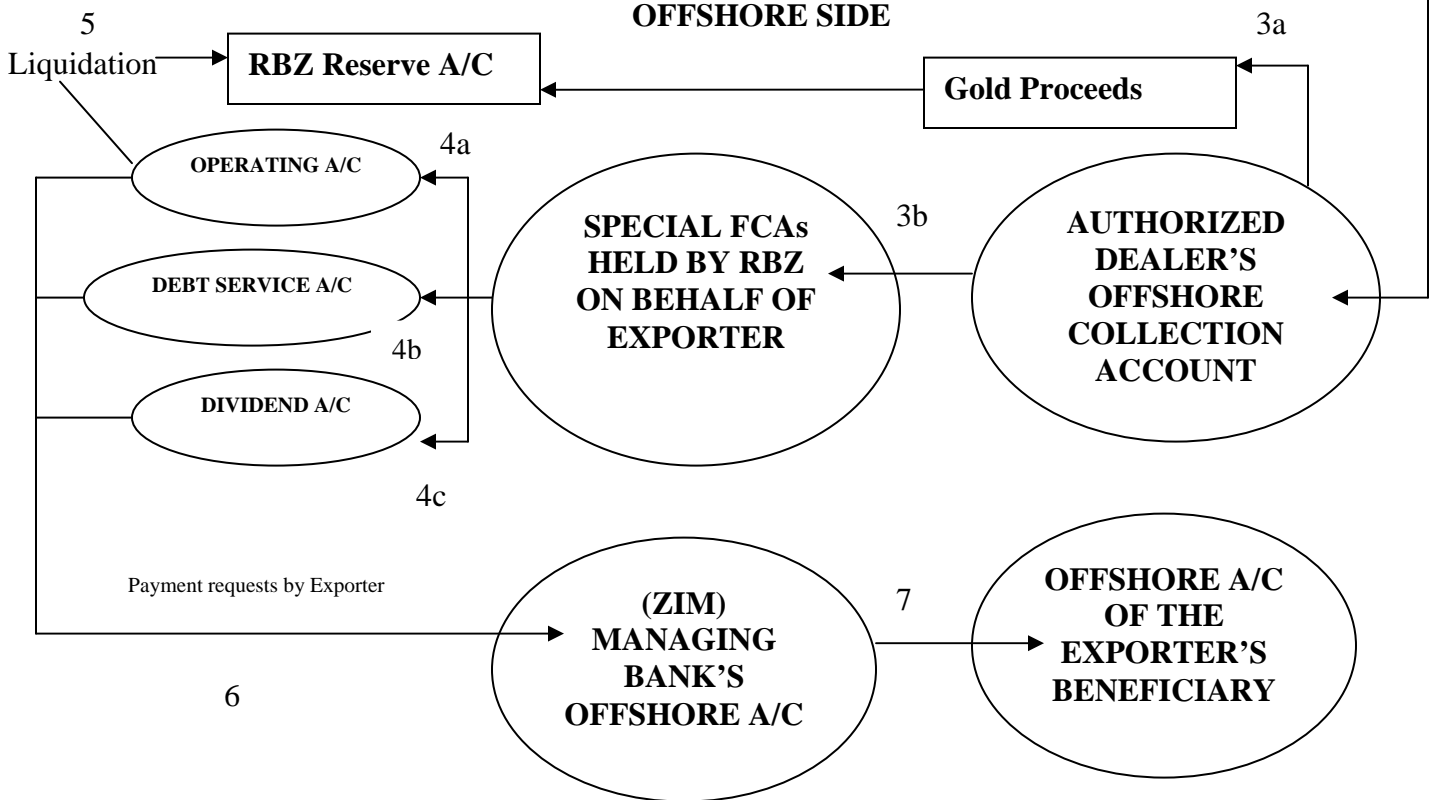
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DIAGRAMATIC PRESENTATION

ZIMBABWE SIDE



OFFSHORE SIDE



Notes

1. Exporter surrenders proceeds to the Managing Bank.

- 2a. Managing Bank verifies receipts against export documentation.

- 2b. Managing Bank receives funds into Collection Account.

- 3a. Managing Bank sell gold component in accordance with the surrender requirements.

- 3b. Managing Bank transfers funds to RBZ correspondent bank accounts.

- 4a, 4b and 4c. Funds are deposited into the Operating Account, Debt Service Account or Dividend Account.

5. Liquidation of funds from the Operating Account.

6. Payment from the Special FCA accounts, as per exporter's instructions.

7. Payment by the Managing Bank to the exporter's beneficiary.

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