



## **EXCHANGE CONTROL CIRCULAR NO. 4 OF 2020 TO AUTHORISED FOREIGN EXCHANGE DEALERS**

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

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### **TOBACCO MARKETING & PAYMENT ARRANGEMENTS FOR THE 2020 SELLING SEASON**

#### **1. Introduction**

- 1.1. Reference is made to the Press Statement dated 13 March 2020 on Tobacco Marketing and Payment Arrangements for the 2020 selling season.
- 1.2. In order to operationalise the policy measures outlines in the above-mentioned Press Statement, Authorised Foreign Exchange Dealers are hereby advised as follows: -

#### **2. Treatment of Drawdowns by Tobacco Merchants**

- 2.1 In terms of Section 4, subsection (1), paragraphs (a) & (b), of the Exchange Control (Tobacco Finance) Order, published in the Statutory Instrument 61 of 2004, it is a requirement that all purchases of green leaf tobacco shall be financed using funds sourced from offshore.
- 2.2 Tobacco merchants shall therefore, drawdown loan proceeds from offshore and deposit the proceeds into a Tobacco Buying Transitory Foreign Currency Account. For the purposes of efficiently administering the 50% foreign currency entitlement to the tobacco growers, tobacco merchants may open Tobacco Buying Transitory Foreign Currency Accounts with more than one Authorised Foreign Exchange Dealer. This provision addresses cases where tobacco growers have bank accounts with banks different from one which the tobacco merchant has an account.
- 2.3 In order to purchase green leaf tobacco, the tobacco merchant shall drawdown a specified amount from the Tobacco Buying Transitory Foreign Currency Account and sell 50% of the proceeds to the Reserve Bank at the prevailing bank exchange rate on the day of the transaction. The remaining 50% shall be retained by the tobacco merchant in order to pay the growers' 50% foreign currency entitlements, through transfers to the growers' Foreign Currency Accounts.

- 2.4 The 50% foreign currency entitlement for tobacco growers shall be treated as free funds. Holders of such funds are permitted to conduct inter-FCA transfers or effect foreign payments without restrictions. However, in cases where the funds are used to pay for commercial imports, Authorised Foreign Exchange Dealers should ensure that the items paid for have been received into the country, through the acquittal of the relevant Bills of Entry (Import).
- 2.5 The requests for the USD cash withdrawals from the tobacco growers Foreign Currency Accounts, shall be treated as per existing guidelines on cash withdrawals and Authorised Foreign Exchange Dealers shall apply the "Know Your Customer" (KYC) and Customer Due Diligence (CDD) principles.
- 2.6 For clarity, in cases where a tobacco grower is also an exporter of other goods and/or services, the 50% foreign currency entitlement to the tobacco growers shall be held in a separate Foreign Currency Account.
- 2.7 For the 50% portion that is paid to the grower in local currency, tobacco growers are expected to use electronic modes of transactions. Those tobacco growers who require cash to settle immediate essential requirements such as transport expenses and other incidentals, shall have access to cash, at a rate of ZW\$1.50 per kg of green leaf tobacco sold, and up to a maximum of ZW\$2,000. The growers are expected access the required cash through their bank's branch networks across the country after presenting the tobacco sales sheets. In this regard, Authorised Foreign Exchange Dealers are therefore, required to ensure that they have adequate local currency cash.
- 2.8 After processing requests for local currency cash, by the tobacco growers, the Authorised Foreign Exchange Dealer shall stamp the sales sheets to avoid re-use of the same documents.
- 2.9 For tobacco that is purchased through the Auction Floor System, tobacco merchants are required pre-fund the Auction Floors with the required United States Dollars to enable transfers into the growers' Foreign Currency Accounts on the day of the sale. In this regard, tobacco merchants and the Tobacco Auction Floors shall have separate operational arrangements on the administration of the pre-funding, with sound safeguards to avoid cases of abuse of the funds advanced by the tobacco merchants.
- 2.10 Authorised Foreign Exchange Dealers shall submit to Exchange Control Exports Department (c/o [jjakarasi@rbz.co.zw](mailto:jjakarasi@rbz.co.zw); [pmunotywiwa@rbz.co.zw](mailto:pmunotywiwa@rbz.co.zw)), by 1000 hours daily, a schedule indicating the following: -
- (i) Global loan proceeds drawn down from offshore and deposited into the Tobacco Buying Transitory Foreign Currency Account; and
  - (ii) Amount of funds drawn from the Tobacco Buying Transitory Foreign Currency Account, splitting the amount into the 50% portion sold to the

Reserve Bank and 50% portion retained for the purposes of settling the 50% foreign currency entitlement to the tobacco growers. (*A template for the Daily Drawdown Report on Tobacco Purchases is attached*).

### **3. Treatment of the USD Working Capital Advanced to Growers**

- 3.1. In cases where a tobacco grower receives foreign currency from a tobacco merchant for working capital purposes, such funds shall be treated as free funds to the extent of the purposes of tobacco production.

### **4. Foreign Currency Point of Sale Machines**

- 4.1. Given that the 50% foreign currency portion that is earned for the tobacco growers are treated as free funds, Authorised Foreign Exchange Dealers are encouraged to install foreign currency Point of Sale Machines for the convenience of the tobacco growers.
5. Please be guided accordingly.



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Dr. T. Chitauro  
Acting Director  
**EXCHANGE CONTROL**

24 April 2020



**DAILY DRAWDOWN REPORT ON TOBACCO PURCHASES  
(TO BE SUBMITTED EVERY BUSINESS DAY BY 1000 HOURS)**

Name of Bank.....

Date.....

MERCHANT NAME	DRAWDOWNS FOR THE DAY			CUMULATIVE DRAWDOWNS		
	50% SOLD TO RBZ (USD)	50% RETAINED BY MERCHANT (USD)	TOTAL (100%) (USD)	50% SOLD TO RBZ (USD)	50% RETAINED BY MERCHANT (USD)	TOTAL (100%) (USD)

Return to be submitted in terms of Section 2 of Exchange Control Circular Number 4 of 2020 dated 24.04.2020

Submitted by: Name: .....

Signature: .....

Designation: .....