



EXCHANGE CONTROL DIRECTIVE RX003/2022

10 February 2022

The Chief Executive Officer
Bank
Location
Street
HARARE

ATTENTION: CHIEF EXECUTIVE OFFICER

Dear Sir/Madam,

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

1. Introduction

- 1.1 Reference is made to the Monetary Policy Statement issued by the Governor on 07 February 2022.
- 1.2 In order to operationalise the foreign exchange policies contained in the Monetary Policy Statement, Exchange Control, in terms of Section 35 (1) of the Exchange Control Regulations, Statutory Instrument 109 of 1996, hereby issues this Exchange Control Directive to provide an administrative framework to Authorised Dealers.

2. Export Retention for Manufacturing, Horticulture, Cross-Border Transport and Postal & Telecommunications on the Incremental Export Receipts

- 2.1 Reference is made to Exchange Control Circular No. 4 of 2021 dated 10 June 2021 and Exchange Control Circular No. 10 of 2021 dated 12 November 2021 on the administration of the Incremental Export Incentives.



- 2.2 Authorised Dealers are advised that with effect from 10 February 2022, exporters (companies) under the Manufacturing Sector, Horticulture Sector, Cross-Border Transport Operators and Postal and Telecommunications Operators shall retain 100% of the incremental portion of their export receipts.
- 2.3 The applicable Average Monthly Base Export Receipts Amounts were communicated through Exchange Control Circular Numbers 4 and 10 of 2021.
- 2.4 For the avoidance of doubt, and in line with Exchange Control Circular Number 1 of 2021, the 60% retention on non-incremental portion of export receipts shall continue to apply to the aforementioned sectors.

3. Export Retention for the Exporters in the Mining Sector (Excluding those Licenced under the Special Economic Zones) on the Incremental Export Receipts

- 3.1 Reference is made to Exchange Control Circular No. 4 of 2021 dated 10 June 2021 on the administration of the Incremental Export Incentives.
- 3.2 Authorised Dealers are reminded that the export retention for the exporters in the Mining Sector (excluding those Licenced under the Special Economic Zones) on the incremental export receipts, shall continue to retain 80% on the incremental portion of their export receipts.
- 3.3 For the avoidance of doubt, and in line with Exchange Control Circular Number 1 of 2021, the 60% retention on non-incremental portion of export receipts shall continue to apply to the aforementioned category of exporters.

4. Export Retention on Proceeds Realised from Gold Purchased from the Large Scale Gold Producers (Primary Producers)

- 4.1 Gold that is purchased from large scale gold producers (primary producers) by Fidelity Gold Refinery (FGR) is paid for 60% in foreign currency and 40% in local currency.

4.2 In light of this position, Authorised Dealers are advised that when the gold is eventually exported by FGR, the export proceeds are subject to a 60% retention threshold by FGR.

4.3 Furthermore, under the incremental gold delivery incentive, gold producers whose deliveries exceed their average monthly deliveries, retain 80% of the incremental portion of the gold deliveries.

5. Export Retention on Proceeds Realised from Gold Purchased from the Small Scale Gold Producers

5.1 Gold that is purchased from small scale gold producers by Fidelity Gold Refinery (FGR) or by a designated/licensed Gold Buyer, is paid for 100% in foreign currency.

5.2 In light of this position, Authorised Dealers are advised that when the gold is eventually exported by FGR, the export proceeds are retained at 100% by FGR.

6. Export Retention for Tobacco and Cotton Growers

6.1 Authorised Dealers are advised that with effect from the 2022 tobacco and cotton marketing seasons, tobacco and cotton growers shall be paid 75% of their sale proceeds in foreign currency deposited into their Foreign Currency Accounts and the remaining portion of 25% shall be deposited into the grower's local currency account at the prevailing auction exchange rate.

6.2 In addition, foreign currency sale proceeds for tobacco and cotton growers shall continue to be treated as free funds.

6.3 In light of this development, tobacco merchants shall draw down from offshore and sell 25% of the proceeds to the Reserve Bank at the prevailing auction exchange rate.

6.4 The foreign currency payment by tobacco merchants to tobacco growers shall be net of USD loans accessed for the purpose of financing tobacco production.

7. Export Retention for Tobacco Merchants

7.1 Authorised Dealers are advised that with effect from 10 February 2022, tobacco merchants shall retain 80% on the portion of the incremental value addition repatriated into the country, using the Average Monthly Base Export Receipts Amount communicated through Exchange Control Circular No. 10 of 2021.

7.2 Furthermore, where a merchant has sold tobacco on the local market through inter-merchant sales, the merchant shall retain 100% of the sale proceeds.

8. Foreign Currency Retention by the Tourism and Hospitality Industry and Fisheries

8.1 In order to promote recapitalization and ensure operational sustainability of the Tourism and Hospitality industry which was impacted negatively by the Covid 19 pandemic, Authorised Dealers are advised that with effect from 10 February 2022, the Tourism and Hospitality industry players shall retain 100% of their foreign currency earnings realized from both international and domestic tourism. This arrangement shall also apply to the fisheries.

9. Foreign Currency Retention on Professional Services

9.1 Authorised Dealers are advised that all foreign currency earnings on professional services rendered through export or within the domestic economy shall be treated as free funds and shall be retained 100% by the service providers. Such professional services include services offered by lawyers, accountants, doctors, etc.

10. Review of the Threshold on the Export of Foreign Currency Cash

10.1 In terms of the Exchange Control (General) (Amendment) Order, 2017 (No. 18), published in the Statutory Instrument 93 of 2017, the amount of foreign

currency cash that a person is allowed to export without authorisation, amounts to two thousand United States dollars, or its equivalent in any currency or combination of currencies.

- 10.2 Authorised Dealers are advised that with effect from 10 February 2022, the amount of foreign currency cash that a person is allowed to export without authorisation, has been reviewed to **Five Thousand United States Dollars**, or its equivalent in any currency or combination of currencies.

11. Review of the Threshold on the Export of Local Currency Cash

- 11.1 In terms of the Exchange Control (General) (Amendment) Order, 2017 (No. 18), published in the Statutory Instrument 93 of 2017, the amount of local currency cash that a person is allowed to export without authorisation, amounts to two thousand Zimbabwean Dollars.

- 11.2 Authorised Dealers are advised that with effect from 10 February 2022, the amount of local currency cash that a person is allowed to export without authorisation, has been reviewed to **Twenty Thousand Zimbabwean Dollars**.

12. Offshore Remittances by Individuals

- 12.1 Authorised Dealers are advised that offshore remittances, by individuals holding free funds in their FCAs, for the purposes of investing offshore through funding offshore accounts, medical insurance premiums, life assurance policies, investing on stock exchanges, money market placements, purchase of immovable property, property proceeds and any other form of offshore investments shall be limited to US\$50,000.00 per individual per annum. Any offshore investments by individuals in excess of the US\$50,000 limit shall require prior Exchange Control approval.

13. Promotion of the Use of Digital and Electronic Banking

- 13.1 Authorised Dealers are urged to enhance promotion of banking of cash by their customers to minimize the risk of theft and robberies associated with carrying of cash on person or possession of large sums of cash at premises which by itself is not in line with AML/CFT requirements. Authorised Dealers should therefore, promote the use of credit and/or debit cards by their customers.
- 13.2 In order to promote the use of plastic money and reduce the risk of robberies of foreign currency cash, with immediate effect, individuals holding free funds can now make use of their international debit/credit cards for external payments of up to US\$100,000.00 per individual per annum.
- 13.3 Authorised Dealers are required to continue submitting card transaction schedules on a monthly basis by the 7th day of next month reporting on usage for the previous month.

14. Promoting Sustainable Offshore Borrowings by the Private Sector

- 14.1 The Reserve Bank has noted with concern contraction of offshore loans by residents for purposes which are not consistent with the objective of supporting the productive sectors of the economy. External loans should be utilised for productive purposes and not for consumptive purposes such that borrowers are expected to generate cashflows to service the external facilities.
- 14.2 In view of the above observation, Authorised Dealers are reminded that all offshore borrowings to fund capital account transactions require prior Exchange Control approval.

15. Promoting Domestic Borrowings by Corporates

- 15.1 The Reserve Bank is encouraged by the growth of foreign currency holdings in Foreign Currency Accounts across banks and the banks' intermediation role in supporting the productive sectors of the economy. In order to ensure continued support to exporting companies and companies engaged in import substitution activities as well as ensuring sustainable borrowing by corporates, Authorised

Dealers are advised that with effect from 10 February 2022, domestic sale proceeds by corporates who would have contracted foreign currency loans from local banks, **shall be exempted from the 20% surrender requirement on domestic sales in foreign currency**. The exemption shall be applicable for the duration of the initial tenure of the loan.

- 15.2 Authorised Dealers are, furthermore, advised that all loans advanced in foreign currency shall be repayable in foreign currency.
- 15.3 The borrowing corporates shall, however, be excluded from participating on the Foreign Exchange Auction Trading System, for a period of three (3) months from the date of loan contraction or a period commensurate with the terms and conditions of the loan facility.
- 15.4 All borrowers are expected to deposit in their Domestic FCAs their foreign currency receipts realized from domestic sales. Failure to bank sale proceeds shall lead to revocation of the exemption on 20% surrender requirement on domestic sales.
- 15.5 In order to ensure accountability and monitoring of foreign currency domestic borrowings by corporates, Authorised Dealers are required to provide Exchange Control with an **Exchange Control Return on Domestic Borrowing by Corporates** on or before the 7th of each month reporting on the transactions of the previous month. The submissions in excel format should be submitted through the Document Management System (DMS) on Foreign Investments Department dashboard (**See Annexure 2**). A nil return shall be required where there is no activity.

16. Promoting Use of Domestic Currency

- 16.1 In line with the need to promote use of the domestic currency, Authorised Dealers are expected to facilitate payments of local expenses paid in foreign exchange that are proportionate to the foreign exchange earned by their customers excluding foreign exchange received from the auction.

17. Enhancement of the Auction Ground Rules

- 17.1 As previously communicated to the market, the Reserve Bank shall continue to refine the operations of the Auction with a view of promoting efficiency, accountability and transparency. In this regard, Authorised Dealers are advised that the Auction Ground Rules have been enhanced to further promote the spread of foreign currency to all users and at the same time dealing authoritatively with market indiscipline (**See attached Annexure 1**).
- 17.2 The enhanced Auction Ground Rules shall come into effect from 22 February 2022.

18. Registration of Blocked Funds

- 18.1 Authorised Dealers are advised that following the publication of the Finance Act No 7 of 2021, the Bank no longer accepts any applications for registration of blocked funds, which has since been closed or any appeals on decisions by Exchange Control.

19. Review of Penalties on Overdue Foreign Payments

- 19.1 Exchange Control has noted with concern the delays in acquittal of import payments. In that regard and as part of measures to ensure market discipline, with immediate effect, Authorised Dealers are advised that the penalty fees for overdue advance payments for imports, introduced through Exchange Control Directive RP203 of 30 December 2014, have been reviewed from 1% to 5% of the overdue amount at the time of effecting payment.
- 19.2 Please be advised that further to the introduction of the acquittal framework for service payments through Exchange Control Guidelines to Authorized Dealers (ECOGAD) 01 of 01 September 2014, with effect from 1 March 2022, advance payments for import of services will be incorporated in the penalty and flagging framework on the Computerised Exchange Control Batch Application System (CEBAS). Accordingly, importers of services are required to acquit all their outstanding service payments to avoid being penalised.

20. Conclusion

20.1 Authorised Dealers and market players who shall be found in violation of Exchange Control regulations and policies, shall be penalised in terms of Section 5(1) of the Exchange Control Act [Chapter 22:05] and Section 37 (i), (ii), and (iii) of the Exchange Control Regulations, Statutory Instrument 109 of 1996. Please note that some of the penalties associated with violations of Exchange Control regulations and policies, are now levied in monetary terms in line with the provisions in the Finance Act No. 7 of 2021.

Yours Sincerely



F. Masendu

Director

EXCHANGE CONTROL

Cc: Exchange Control Head

Treasury Head

Annexure 1



ADDITIONAL FOREIGN EXCHANGE AUCTION GROUND RULES

February 2022

RESERVE BANK OF ZIMBABWE

1. CURRENT GROUND RULES

- (i) One bid per bidder per Auction
- (ii) Maximum Bid Amount/Main Auction – USD500,000.00 (Primary Category), USD100,000.00 (Secondary Category)
- (iii) Maximum Bid Amount/SME Auction – USD20,000.00 (Primary Category), USD10,000.00(Secondary Category)
- (iv) Minimum Bid Amount/Auction (USD50,000 – Main Auction, USD2,500.00 – SME Auction)
- (v) No overdue Exports Receipts (Forms CD1, CD3, TRAS1 & 2, PTS1, GSD)
- (vi) No overdue Bills of Entry (Import)
- (vii) No sufficient FCA Balance
- (viii) Insufficient ZWL Balance
- (ix) Loan Funded Bids (Funding of 50% of bid amount from own funds by the applicant)
- (x) Tax compliance (Valid ZIMRA tax clearance certificate)
- (xi) Submission of physical supporting documents for Auction Bids to Exchange Control.

2. ADDITIONAL GROUND RULES

- (i) **Double Dipping by Importers**
No multiple bids for companies owned by the same shareholder(s) importing same product.
- (ii) **Companies with Sufficient FCA Balances**
Companies with insufficient balances should submit bids for the difference (Invoice Amount Less FCA Balance).
- (iii) **Nature of Business**
Importation of goods not in line with the bidder's line of business not permissible
- (iv) **Registration of Importers**
Bidding by corporate/organisations shall be restricted to entities registered with Exchange Control in the Computerised Exchange Control Batch Application System(CEBAS).
- (v) **Blocked Funds**
Bidders shall not submit bids to fund payment of external obligations in respect of approved blocked funds.

3. PENALTIES FOR VIOLATIONS

In order to ensure compliance with Auction Ground Rules and Exchange Control regulations, the following penalties shall apply for various violations: -

Penalties involving Submissions of Bids

- (i) Disqualification of the Bids
- (ii) Suspension of the bidders from the Auction
- (iii) Penalties for Authorized Dealers.

Penalties Related to Payments

- (i) Penalties to Authorized Dealers for delayed payments. Payments should be effected within 72hours from the date of funding.
- (ii) Penalties to Authorized Dealers for non-return of funds for cancelled transactions.

4. AUCTION BID FORMS

- (i) Inclusion of column for ZWL balance.
- (ii) Addition of a column for ultimate beneficiary.

Applicant Bid Form



APPLICANT FOREIGN CURRENCY BID FORM

APPLICANT'S NAME: _____
 DATE OF INCORPORATION: _____
 TRADING COMPANY'S TAX ID NO: _____
 BUSINESS PARTNER NUMBER: _____
 REGISTERATION NUMBER: _____
 CATEGORY OF BIDDER: _____
 PHYSICAL ADDRESS: _____
 EMAIL ADDRESS: _____
 CONTACT NUMBER (ACCOUNTING OFFICE): _____
 APPLICANT'S BANK: _____
 ACCOUNT NO: _____
 FOREIGN EXCHANGE CONTROL NUMBER DATE: _____

Select category from Appendix B

ECONOMIC SECTOR (Select from Appendix B)	PURPOSE OF FUNDS (Select from Appendix B)	FULL DESCRIPTION OF GOODS, SERVICES, ETC	ESTIMATE BENEFICIARY (Select from dropdown list)	BID AMOUNT IN US\$	BID EXCHANGE RATE	ZWL EQUIVALENT	CURRENT ZWL BALANCE (AT FACILITATING BANK)	CURRENT MONRO BALANCE (ALL BANKS)	REQUIREMENTS ATTACHED
TOTAL									

DECLARATION BY APPLICANT: I hereby declare that (a) the information contained in this form is as entirely true and correct, (b) I have not submitted another bid through any other bank, (c) I do not have a positive money balance with any bank, (d) I hold sufficient Zimbabwe Dollar equivalent to cover the bid. This information is declared in terms of Section 41 subsection (4) of the Exchange Control Regulations, Statutory Instrument 109 of 1996. I acknowledge that providing false information is a breach of Paragraph (b) of subsection (1) of Section 3 of the Exchange Control Act Chapter [22:05] and doing so will render me liable to prosecution under the Act.

Signature: _____ Name of Signatory

ID Number: _____

Annexure 2



Exchange Control Return on Domestic Foreign Currency Borrowings by Corporates

	Name of Borrower	Purpose of Borrowing	Date of Disbursement	Tenure of Loan	Amount Borrowed (US\$)	Amount Repaid (US\$)	Amount Outstanding (US\$)	Monthly Total Receipts in Domestic FCA (US\$)	20% Amount Retained (US\$)
1.									
2.									

DECLARATION BY AUTHORISED DEALER: The Authorised Dealer declares that the information contained in this form is in its entirety true and correct. This information is declared in terms of Section 41 subsection (4) of the Exchange Control Regulations, Statutory Instrument 109 of 1996. I acknowledge that providing false information is a breach of Paragraph (b) of subsection (1) of Section 5 of the Exchange Control Act Chapter [22:05] and doing so will render me liable to prosecution under the Act.

Exchange Control Department

Corporate Banking Department