



EXCHANGE CONTROL DIRECTIVE RY002/2023

03 February 2023

«Title» «First_Name» «Last_Name»
«Designation»
«Company_name»
«Address_Line_2»
«City»

ATTENTION: «Title» «Last Name»

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 (MPS) issued by the Governor on 02 February 2023. In order to operationalize the foreign exchange policies contained in the Statement, Exchange Control hereby issues this Exchange Control Directive to provide administrative guidance to Authorised Dealers.

2. LIBERALISATION OF THE FOREIGN EXCHANGE MARKET

2.1 Upward Review of Retention Thresholds for Exporters

2.1.1 Authorised Dealers are advised that with effect from 06 February 2023, the export retention threshold across all sectors of the economy including firms listed on the Victoria Falls Stock Exchange (VFEX), has been standardised to 75% of the export proceeds.

2.1.2 The balance of 25% of the export proceeds shall be sold to the Reserve Bank at the prevailing interbank market rate. Authorised Dealers are therefore, required to transfer the 25% of export proceeds due to the Reserve Bank within 48 hours of the receipt of export proceeds.

2.1.3 In light of this review of the retention threshold, the incremental export incentive scheme has been discontinued with effect from 01 February 2023.

2.2 **Upward Review of Retentions Thresholds on Domestic Sales**

2.2.1 In line with the liberalization of the foreign exchange market, Authorised Dealers are advised that the foreign exchange retention on domestic sales has been reviewed upwards to 85%, with effect from 06 February 2023.

2.2.2 This requirement shall apply to all foreign exchange deposits from domestic sales of goods and services, with the exception of deposits of entities listed in **Annexure A**.

2.2.3 Authorised Dealers are required to sell to the Reserve Bank, the 15% of domestic sale proceeds at the prevailing interbank market rate. The foreign exchange shall be sold to the Reserve Bank within 48 hours from the date of receipt of the funds.

2.3 **Cancellation of Dispensations on Surrender Requirements**

2.3.1 Authorised Dealers are advised that all existing dispensations for retentions of export proceeds above the statutory surrender requirements, are no longer applicable effective 06 February 2023.

2.3.2 Similarly, the dispensation that applied to corporates with domestic loans to retain 100% of their domestic sale proceeds, shall no longer be applicable with effect from 06 February 2023.

2.4 **Foreign Currency Retention by Tobacco and Cotton Growers**

- 2.4.1 Authorised Dealers are advised that with effect from the 2023 tobacco and cotton marketing season, tobacco and cotton growers shall be paid 85% of their sale proceeds in foreign currency. The remaining balance of 15% shall be paid to the grower at the prevailing interbank market rate.
- 2.4.2 In light of this development, tobacco and cotton merchants shall drawdown from offshore and sell 15% of the proceeds to the Reserve Bank at the prevailing interbank market rate.
- 2.4.3 The foreign currency payment by tobacco and cotton merchants to growers shall be net of the foreign currency loans accessed for the purpose of financing tobacco production.
- 2.4.4 In addition, foreign currency sale proceeds for tobacco and cotton growers shall continue to be treated as free funds.

2.5 **Export of Foreign Currency Cash and Gold Coins**

- 2.5.1 Authorised Dealers are advised that the maximum amount of foreign currency cash and gold coins that may be exported from Zimbabwe on person or in the baggage of a person who is leaving Zimbabwe, has been reviewed from US\$5,000 or its equivalent in any other currency or combination of currencies, to US\$10,000 or its equivalent in any other currency or combination of currencies and gold coins.
- 2.5.2 The relevant Statutory Instrument to give legal effect to this provision, shall be gazetted in due course.

2.6 Export of Local Currency Cash

- 2.6.1 The maximum amount of local currency notes that may be exported from Zimbabwe on person or in the baggage of a person who is leaving Zimbabwe has been reviewed upwards from ZW\$20,000 (twenty thousand Zimbabwean dollars) to an equivalent of US\$1,000 (one thousand United States dollars), at the prevailing interbank exchange rate.
- 2.6.2 The relevant Statutory Instrument to give legal effect to this provision, shall be gazetted in due course.

2.7 Export of Demonetized Bank Notes

- 2.7.1 The amount of demonetized bank notes and coins that may be exported from Zimbabwe on person or in the baggage of a person leaving Zimbabwe, without prior Exchange Control approval, is up to a maximum of 100 pieces of each denomination.

2.8 Treatment of Overdue Export Proceeds

- 2.8.1 Authorised Dealers are advised that with effect from 06 February 2023, 50% of the overdue export proceeds shall be sold to the Reserve Bank at the prevailing interbank market rate.

2.9 Enhancement of the Willing-Buyer Willing-Seller Framework

- 2.9.1 Authorised Dealers and *Bureaux de Change* are advised that in order to support the Willing-Buyer Willing-Seller (WBWS) interbank market, the Reserve Bank shall sell foreign currency to Authorised Dealers and *Bureaux de Change* through the Wholesale Foreign Exchange Auction System as per the attached Guidelines (**Annexure B**).

- 2.9.2 In order to ensure transparency under the Wholesale Foreign Exchange Auction framework, Authorised Dealers and *Bureaux de Change* are required to maintain a record of all pipeline transactions under this framework on a continuous basis. The record shall be in the format prescribed in **Annexure C**.
- 2.9.3 Transactions funded under this framework shall be on a First-In First-Out (FIFO) basis and shall be declared on the EC Form – Interbank Sales & Purchases Return by Authorised Dealers as per **Annexure D** and on the *Bureaux de Change Transaction Reporting System (BDCTRS)* for *Bureaux de Change*. In this regard, Authorised Dealers and *Bureaux de Change* must observe first-come first-served principle.

3. CONCLUSION

- 3.1 Authorised Dealers are required to ensure full compliance with the foreign exchange policies contained in this Directive.
- 3.2 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.

Yours Sincerely,



F. Masendu
Director

EXCHANGE CONTROL

Cc: Exchange Control Head - «EC_HEAD»
Treasury Head - «TREASURY»

ANNEXURE A



Exceptions on the 15% Surrender Requirement for Domestic Sales in Foreign Exchange

- (i) Fuel companies & Independent Power Producers
- (ii) Embassies, Non-Governmental Organisations (NGOs) & International Organisations (IOs),
- (iii) Funds received by contractors from NGOs, embassies and international organizations
- (iv) Individuals,
- (v) Government funded projects and programmes,
- (vi) Grain millers & Grain deliveries to Grain Marketing Board (GMB),
- (vii) Inter-merchant local tobacco sales,
- (viii) Healthcare facilities and health professionals,
- (ix) Religious organisations & Educational institutions,
- (x) Consultancy firms (legal, accounting, auditing, engineers, software developers),
- (xi) Sale proceeds emanating from investments (rental income, dividends, immovable property sale proceeds, share sale proceeds and money market placements).

ANNEXURE B



Guidelines of the Wholesale Foreign Exchange Auction System

1. INTRODUCTION

- 1.1. The Bank introduced the Willing-Buyer Willing-Seller (WBWS) foreign exchange system in April 2022 to expand access to the foreign exchange market as well as provide for a market driven price determination mechanism. The WBWS system would run alongside the auction system.
- 1.2. Pursuant to the Monetary Policy Statement (MPS) announcement on 2 February 2023, the WBWS interbank foreign exchange market is being enhanced through the introduction of Wholesale Foreign Exchange Auction System to strengthen the market determined price discovery process in foreign exchange market. The operational modalities of the Wholesale Foreign Exchange Auction System to support the Interbank Market are provided below.

2. WHOLESALE INTERBANK FOREIGN EXCHANGE AUCTION SYSTEM

- 2.1. The Wholesale Interbank Foreign Exchange Auction System shall operate as follows:

Wholesale Foreign Exchange Sales...

- 2.2. The Bank will sell foreign exchange through a competitive bidding process to Authorised Dealers and *Bureaux de Change* for onward sales on the Willing-Buyer Willing-Seller to final beneficiaries.

Source of Funds...

- 2.3. The Bank will sell a portion of funds received under the export receipts statutory surrender requirement on the Wholesale Interbank Foreign Exchange Auction System.
- 2.4. The foreign currency amount available under this window shall be announced before each auction.

Participating Entities ...

- 2.5. All Authorised Dealers and *Bureaux de Change*.

Bidding Conditions and Qualifying Criteria...

- 2.6. Bidding under this platform will be on the following terms and conditions:
 - i. Authorised Dealers and *Bureaux de Change* will submit one bid per auction indicating the bid amount and bid rate;
 - ii. Allotments of foreign currency will be based on foreign currency resources available,
 - iii. The bidding platform shall be the existing Auction System;
 - iv. All bids shall be in United States Dollars (US\$);
 - v. Foreign currency will be allotted at each bidder's own bid rate until the amount on auction is fully allotted;
 - vi. Disbursements of allotted fund from the Bank shall be done on a Delivery-versus-Payment (DVP) basis. The Bank will release foreign exchange against local currency payments within the normal acceptable trading period; and
 - vii. Authorised Dealers will sell the foreign currency allotted on the Wholesale Foreign Exchange Auction System to final beneficiaries within 72 hours of disbursement from the Bank.

3. BIDDING TIMELINES

- 3.1. Cut-off submission of bids will be three hours from the broadcasting of the Auction on the same day of the Auction.
- 3.2. Auction results will be released and published by on the same day of the Auction.

4. SETTLEMENT

- 4.1. The Bank will transfer the foreign currency to the respective Nostro Account of the Authorised Dealer and *Bureau de Change*, after receiving the ZW\$ equivalent. In line with international best practice, settlement of funds transferred to the Nostro Account will be on a T + 1 basis.

5. DETERMINATION OF THE INTERBANK EXCHANGE RATE

- 5.1. Authorised Dealers and *Bureaux de Change* will continue to provide information of WBWS interbank trades on the existing trading platform for the determination of the Interbank Exchange rate.

6. RULES AND SAFEGUARDS

- 6.1. To promote and enhance the operational efficiency of the revised WBWS foreign exchange market the following rules and safeguards shall be observed:
 - i. **Acceptable Transactions** – the WBWS interbank market will continue to support *bonafide* transactions.
 - ii. The applicable limit for the WBWS will remain at US\$100,000 per entity in line with the Foreign Exchange Auction System limits for secondary users.
 - iii. **KYC** principles to be observed by all authorised dealers.

- iv. **Compliance Monitoring** - The Exchange Control and Financial Intelligence Unit officials shall carry out continuous inspections of the operations of all Authorised Dealers and *Bureaux de Change* in view of the revised WBWS framework;
- v. **Returns** – Authorised Dealers and *Bureaux de Change* to submit returns indicating WBWS activities in format and frequency prescribed by the Exchange Control;
- vi. **Penalties** - Where an Authorised Dealer and *Bureaux de Change* is found to be in contravention of any of the provisions of these guidelines, Exchange Control shall levy appropriate penalties in terms of the Law;

7. CONCLUSION

- 7.1. The Bank will continue to monitor the operations of the interbank market to ensure efficiency in both its allocative and price discovery process. Authorised Dealers and *Bureaux de Change* are advised to adhere to laid down guidelines and regulations to ensure the stability of the foreign exchange market.

