



## EXCHANGE CONTROL CIRCULAR NO. 1 OF 2023

**TO: AUTHORISED DEALERS WITH LIMITED AUTHORITY (ADLAs)**

**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 Circular to provide administrative guidance to *Bureaux de change*.

### **2. Enhancement of the Willing-Buyer Willing-Seller Framework**

2.1. *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 A**).

2.2. In order to ensure transparency under the Wholesale Foreign Exchange Auction framework, *Bureaux de Change* are required to observe first-come first-served principle and declare all transactions under this framework on the *Bureaux de Change Transaction Reporting System (BDCTRS)*.

### 3. Exchange Control Compliance

- 3.1 *Bureaux de Change* are required to strictly comply with all Exchange Control regulations and implement Know Your Customer (KYC) through matching customers to tendered identity documents. Under no circumstances shall a *Bureau de Change* sell foreign currency to a customer with no matching identity and supporting documents such as invoices, air tickets and passports for international payments.
- 3.2 *Bureaux de Change* found abusing the Wholesale Foreign Exchange Auction System in any way, including source of Zimbabwean Dollars to purchase foreign currency, shall be **immediately** suspended from accessing the foreign currency from the auction whilst further investigations on the institution will be carried out.
- 3.3 Furthermore, *Bureaux de Change* are required to always comply with the reporting of all buying and selling transactions real time on the *Bureau de Change* Transactions Reporting System (BDCTRS). failure of which results in levying of penalties or revocation of ADLA licence.
- 3.4 *Bureaux de Change* 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.



F. Masendu

Director

**EXCHANGE CONTROL**

08/02/2023

Date

## **Annexure A**



### **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

### **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. **KYC** principles to be observed by all Authorised Dealers and *Bureaux de Change*.

- iii. **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;
- iv. **Returns** – Authorised Dealers and *Bureaux de Change* to submit returns indicating WBWS activities in format and frequency prescribed by the Exchange Control;
- v. **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.