



**EXCHANGE CONTROL CIRCULAR NO. 8 OF 2019
TO AUTHORISED DEALERS AND BUREAUX DE CHANGE**

**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 Statutory Instrument 142 of 2019 and Exchange Control Directive RU102 dated 25 June 2019, wherein Exchange Control policies operationalizing the removal of the multicurrency system were communicated to the market. Given additional consultations premised on the overriding objective to further liberalise the foreign exchange market, Exchange Control wishes to advise of the following policy refinements;

2. Guidelines on the Treatment of Foreign Currency Transactions by Individuals International Organisations, Non-Governmental Organisations and Embassies

2.1 Preservation of the value of Free Funds

2.1.1 Foreign currency received by individuals, International Organisations, Non-Governmental Organisations (NGOs) and Embassies is regarded as **free funds** for Exchange Control purposes.

2.1.2 In this regard, free funds shall continue to be received and retained in designated Nostro FCAs. Free funds may be used for settlement of foreign transactions for the procurement of goods and/or services. Free funds from International Organisations, NGOs and Embassies may also be used through Nostro FCA transfers for the settlement of local contracts.

2.2 Payment of salaries for the staff

- 2.2.1 Given that foreign currency received by International Organisations, Non-Governmental Organisations (NGOs) and Embassies is categorised under free funds, the salaries for their staff shall continue to be freely transferrable into individual Nostro (FCAs) at the discretion of the NGO or Embassy. When the employees of the NGOs, embassies and International Organisations intend to transact on the domestic market, the foreign currency should be converted into local currency through a bank or Bureau de Change.
- 2.2.2 Expatriates/diplomats working for international organisations and Embassies are allowed to remit their earnings to their home countries for the upkeep of their families through normal banking channels.

2.3 Administration of humanitarian cash transfer programmes

- 2.3.1 International Organisations and NGOs are encouraged to convert their foreign currency earmarked for humanitarian programmes to local currency through local banks or bureaux de change. In cases where the cash transfers are paid in foreign currency to final beneficiary, the final beneficiary is required to convert the foreign currency cash to local currency, at a bank or bureau de change, for the day-to-day domestic transactions.

2.4 Transfer of grants and donations

- 2.4.1 Transfer of assistance funds such as grants and donations shall continue to be permitted through the Nostro FCA (Domestic).
- 2.4.2 When the recipient of the grant or donation intends to transact on the domestic market, the proceeds should be converted into local currency through a bank or bureau de change.

2.5 Administration of bulk local currency cash requirements

- 2.5.1 In cases where a humanitarian organisation wants to access bulk local currency (ZWL\$) cash, such requests may be directed to the Reserve Bank in instances where Authorised Dealers are unable to meet the requirements of the organisation(s).

2.5.2 The transaction exchange rate shall be guided by the Willing Seller – Willing Buyer principle, which is prevailing at the interbank market.

2.6 Charging of Visa fees by Embassies

2.6.1 In terms of Article 31 of the Vienna Convention on Diplomatic Relations (1961), diplomats enjoy exemptions from civil and administrative regulations of the receiving state.

2.6.2 Diplomatic Missions (Embassies) are therefore, allowed to continue charging for their services such as visa processing fees in foreign currency and such fees are freely remittable to their home countries.

3. Guidelines on Enhanced Bureaux de Change Framework

3.1 Business to person transactions by Bureaux de Change (Money Transfer Agencies)

3.1.1 Under this framework, in addition to person to person remittances, a bureau de change may receive and pay out international remittances sent by International Organisations, Non-Governmental Organisations, etc., who will be sending salaries, pensions, donations, gifts, prize money, relief aid and corporate social responsibility contributions. For the avoidance of doubt, business to person transactions shall be restricted to inward transactions only.

3.1.2 The business to person transfer shall not be used to transmit export proceeds, loan proceeds, income receipts (excluding salaries) or capital flows. The reason for transfer must, therefore, be declared clearly on the receipt form.

3.2 Selling of foreign currency for tuition, medical and subscription fees

3.2.1 With effect from 24 July 2019, bureaux de change may sell foreign currency to the individuals for the purposes of funding foreign tuition fees, medical expenses and foreign subscriptions.

3.2.2 The selling of the foreign currency for such purposes shall be on a Willing Seller – Willing Buyers principle.

3.2.3 Foreign currency shall only be sold to individuals who shall submit the relevant documents indicated in Table 1.

Table 1: Required Documents for Permitted Transactions

	Transaction Type	Supporting Documents
a.	External tertiary education and living expenses	<ul style="list-style-type: none">• Letter from the foreign tertiary institution confirming the enrolment• Current invoice or statement from foreign institution showing banking details• Banking details of student in cases of education allowance
b.	Foreign Medical expenses	<ul style="list-style-type: none">• Referral letter from a local specialist• Pro-forma invoice from external service provider showing banking details.• Travel itinerary
c.	Air tickets from international airlines	<ul style="list-style-type: none">• Copy of the air ticket for those issued in advance• Invoice showing banking details of travel agent or airline• Travel itinerary

3.2.4 To facilitate the aforementioned transactions, a bureau de change is required to operate a Nostro FCA (Domestic) with a managing Authorised Dealer (bank) wherein upon concluding a transaction with an individual, the bureau de change shall instruct the Authorised Dealer to effect payment direct to the external beneficiary or service provider. Accordingly, no foreign currency cash is issued to an individual under this category.

3.3 Purchasing and Selling of foreign currency to Individuals, Micro, Small and Medium Enterprises (MSMEs)

3.3.1 With effect from 24 July 2019, Bureaux de Change may sell and purchase foreign currency of up to USD500 to and from individuals, Micro, Small and Medium Enterprises (MSMEs) without asking for identities or documentation.

3.3.2 Using the Know Your Customer (KYC) and Customer Due Diligence (CDD), a bureau de change may sell foreign currency to MSMEs including cross border traders and individuals, for the purposes of paying for importation of goods and services.

3.3.3 In cases where, a Micro, Small and Medium Enterprise (MSME) including cross border traders and individuals, require foreign currency cash equivalent to above

US\$500 and below USD2,000, the bureau de change may sell the foreign currency cash directly to the client for purposes of paying for importation of goods and services.

3.3.4 In cases where an MSME, cross border trader or individual require foreign currency funding equivalent to above USD2,000, such a client shall open and operate a Zimbabwe Dollar (ZWL\$) account with the same Authorised Dealer that operates the Bureau de Change's Nostro FCA (Domestic).

3.3.5 The Bureau de Change shall furnish the Authorised Dealer with a written authorisation to effect foreign payment with funds from its Nostro FCA (Domestic) for the account of the MSME, cross border trader or individual.

3.3.6 All external payments effected by Authorised Dealers on behalf of a Bureau de Change should be reported on the Computerised Exchange Control Batch Application System (CEBAS) and all advance payments should be acquitted in line with the existing Exchange Control policy upon the Authorised Dealer being furnished with the relevant Bills of Entry (Import).

3.4 **Extension of the deadline for the minimum capital requirement of USD15,000**

3.4.1 A bureau de change is required to deposit with the Reserve Bank, local currency (ZWL\$) equivalent to USD15,000 at the prevailing interbank market exchange rate.

3.4.2 For Bureaux de Change already operating, the deadline for depositing the local currency (ZWL\$) equivalent to USD15,000 at the prevailing interbank market exchange rate, has been extended to 31 December 2019.

3.4.3 Bureaux de Change that are owned by Authorised Dealers or microfinance banks are exempted from paying the deposit.

3.5 **Selling of foreign currency for business travel allowance and/or personal travel allowance**

3.5.1 A bureau de change may sell foreign currency to individuals for business travel allowance and/or personal travel allowance.

- 3.5.2 The amount of foreign currency that may be sold to an individual for business travel allowance shall be equivalent to USD400 per day and up to a maximum of 7 days per travel.
- 3.5.3 The amount of foreign currency that may be sold to an individual for personal travel/holiday allowance shall be equivalent to USD300 per day and up to a maximum of 7 days per travel up to an equivalent of US\$10,000 per year.
- 3.5.4 Requests to purchase foreign currency from a bureau de change for purposes of business travel allowance, holiday travel allowance and medical travel allowance shall be accompanied by the documents indicated in Table 2.

Table 2: Supporting Documents

	Transaction Type	Required Documents
a.	Business Travel Allowance	<ul style="list-style-type: none"> • Invitation from an external party, where applicable • In cases of workshops, conferences or seminars, relevant documents from the hosts should be provided. • Travel itinerary & a valid passport
b.	Holiday/Personal Travel Allowance	<ul style="list-style-type: none"> • Copy of air ticket, where applicable • A valid passport
c.	Medical Travel Allowance	<ul style="list-style-type: none"> • Referral letter from a local specialist • Pro-forma invoice from external service provider showing banking details. • Travel itinerary & a valid passport

- 3.5.5 When providing cash to an individual for purposes of business, holiday and medical travel allowance, passport number for the individual should be captured in the bureau de change's receipt and systems to ensure limits compliance.

3.6 Nostro FCA (Domestic) for Bureaux de Change

- 3.6.1 A bureau de change shall, under advise to Exchange Control, open and operate a Nostro (Domestic) FCA account with a maximum of three (3) Authorised Dealer per currency.
- 3.6.2 Bureaux de Change shall be allowed to make unlimited deposits and withdrawals from these accounts to fund their transactions.

3.6.3 Any abuse of the Nostro (Domestic) FCAs may result in Exchange Control taking very stern measures, including heavy monetary fines.

3.7 Selling of foreign currency to the Authorised Dealers and the Reserve Bank

3.7.1 Bureaux de Change may sell their foreign currency to the Authorised Dealers (Banks) and/or the Reserve Bank in exchange with local currency cash on a Willing Seller – Willing Buyer principle.

3.7.2 In cases where a bureau de change intends to exchange its foreign currency for local currency cash (ZWL\$) with the Reserve Bank, the bureaux de change may directly approach the Retail Banking Operations Department of the Reserve Bank.

3.7.3 Currency purchases between bureaux de change are currently not permissible.

3.8 Monthly Return Form on Enhanced Bureaux de Change operations

3.8.1 Following the enhancement of the bureaux de change framework, the Exchange Control return, EC Form DTP has been adjusted accordingly to reflect the new reporting arrangements. The return form shall continue to be submitted to Exchange Control daily at 1000 hours for transaction of the previous day. (see Annex 1 which is the DTP).

4. Issuance of Foreign Currency Transaction Receipts

4.1 Authorised Dealers and bureaux de change are required to issue purchase and sale receipt which captures amongst other issues, amount of foreign and local currency exchange, exchange rate applied, transaction fees, mode of settlement that is cash, electronic or mobile transfers, and where necessary, name of seller or purchaser and the date of the transaction.

4.2 An Authorised Dealer or a bureau de change shall ensure that copies of the foreign currency transaction receipts shall be readily available when requested for by Exchange Control at any given point in time.

4.3 Transactions of equivalent to US\$10,000 and above would need enhanced due diligence, including a requirement of proof and recording of identity particulars,

in line with Section 15 (b) of the Money Laundering and Proceeds of Crime Act, Chapter 9:24.

5. Payment of Insurance Premiums in Foreign Currency

- 5.1 In line with the Statutory Instrument 142 of 2019, all insurance premiums including medical insurance payable by both individuals and corporates to local insurance companies or medical aid societies for various products and services shall be paid in local currency (ZWL\$), which is now the sole legal tender in Zimbabwe.
- 5.2 For insurance premiums that have already been paid in foreign currency, insurance companies are advised that in the event of a claim, the component of foreign currency reimbursement or payment should be given to the policy holder for purposes of retaining the foreign currency or liquidating to local currency for purposes of paying service providers.
- 5.3 For risks that the local insurance companies cannot absorb for corporates, as is the current practice, the insurance company should seek the approval of Insurance and Pensions Commission (IPEC) to externalise the risk. Where such approvals are granted by the IPEC, the concerned corporate or institution is required to remit the insurance premiums direct to the external insurance company upon obtaining prior Exchange Control approval.

6. Review of Blocked Funds Administration

- 6.1 In order to properly account for the blocked funds¹ that should be amortized through the Reserve Bank, Authorised Dealers are advised that with effect from 24 July 2019, the qualification criteria for blocked funds is as follows: -
- (i) Blocked funds to be registered under this arrangement shall be for the period January 2016 to 21 February 2019 only;

¹ In this circular, blocked funds refer to foreign currency which was due for payment to a foreign company/organisation/institution/entity/individual but has not been paid due to foreign currency constraints. These include foreign payments such as disinvestments, loan repayments, payments for goods and services.

- (ii) Blocked funds registration shall be limited to non-exporting companies, institutions and individuals. Government, parastatals and other public institutions are not being registered under this arrangement;
 - (iii) Disinvestments proceeds from the Zimbabwe Stock Exchange (ZSE) shall not be considered under blocked funds since the remittances are allocated 15% of the available foreign currency on the interbank market in terms of Guidelines for Utilisation of Foreign Exchange communicated under Circular No. 2 of 2019; and
 - (iv) The window for submission for registration of blocked funds which started in February 2019 shall be closed on 30 August 2019. In this regard, Authorised Dealers are advised to communicate with their clients who have not yet registered their blocked funds to expeditiously do so before the set deadline.
- 6.2 Further to Exchange Control Directive RU28 dated 22 February 2019 and in order to ensure that only bonafide blocked funds are registered, Authorised Dealers are required to validate the documents submitted by their clients and sign a **Blocked Funds Validation Declaration Form** (Please refer to the attached Annexure II). In addition, applicants are also required to submit a declaration that the indicated amounts have not been paid directly or indirectly to the external party and that the application for registration has not been submitted through another Authorised Dealer.
- 6.3 Authorised Dealers are advised that registration of blocked funds shall require simultaneous submission of the relevant physical documents to Exchange Control for further validation. (Please refer to Annexure III on the revised document requirements for blocked funds).
- 6.4 Authorised Dealers are required to submit in retrospect, Blocked Funds Validation Declaration Forms as well as applicants' declarations, for blocked funds applications that have already been lodged with Exchange Control.
- 6.5 As previously communicated through the Exchange Control Directive RU102 of 25 June 2019, the equivalent local currency to be transferred to the Reserve Bank's Financial Markets Division, relates to blocked funds that would have been registered by Exchange Control and the schedule accompanying the transfers should contain information indicated in Table 3.

Table 3: Local Currency Transfer for Blocked Funds

	Name of Account Holder	Total Blocked Funds Amount (US\$)	Amount Transferred (ZWL\$)	Balance (ZWL\$)	Exchange Control Authority & Date	RTGS Reference
1.	Company A	US\$100	ZWL100	-	IMP...221	xxxx
2.	Individual B	US\$500	ZWL300	ZWL200	INV...331	xxxx

- 6.6 In order to ensure that Exchange Control has an up-to-date database of blocked funds, Authorized Dealers are hereby directed to keep an updated list (excel spreadsheet) of the blocked funds indicating all the details specified in Exchange Control Directive RU28 of February 2019 and additional information about registration and transfer of funds to Reserve Bank. The template for submission of this information shall be emailed to Authorised Dealers.

7. Administration of Direct Fuel Imports

- 7.1 Authorised Dealers are advised that, to facilitate increased accessibility of fuel in the country and to reduce pressure on the interbank foreign exchange market, Direct Fuel Imports (DFI) are still permissible.
- 7.2 Oil Marketing Companies licenced by Zimbabwe Energy Regulatory Authority (ZERA) shall be required to open and operate a Nostro FCA (Transitory) which requires prior Exchange Control approval, wherein exporting corporates, embassies, NGOs, International Organisations and individuals with access to foreign currency shall transfer funds into.

8. Enhancement of Chrome Ore Production and Exports

- 8.1 In order to enhance the operations of this critical sector which is dominated by small scale miners, with effect from 24 July 2019, large scale chrome producers and smelters may pay for chrome deliveries from small scale producers through Nostro FCA transfers.
- 8.2 The small scale chrome producers are therefore, required to open Nostro FCA (Exports) for purposes of receiving payment for chrome deliveries. No cash payouts are allowed, payments will only be done through bank transfers.

- 8.3 In this regard, large scale chrome producers and smelters who wish to pay for chrome deliveries from small scale producers in foreign currency, shall submit applications for operation of a Nostro FCA (Transitory) to Exchange Control, Exports Department for consideration.

9. Measures to Enforce Compliance with timely Acquittal of Export Documentation

- 9.1 Exchange Control has noted with concern the increase in delayed and/or non-repatriation of export proceeds by some exporters.
- 9.2 To ensure timely repatriation of export proceeds, with effect from 15 August 2019, any exporter with recoverable overdue export receipts to the tune of USD400,000 and above, shall have to access new export documentation on a prepayment basis.
- 9.3 Alternatively, any exporter with recoverable overdue export receipts to the tune of USD400,000 and above shall have to access new export documentation after furnishing Exchange Control with credible payment plan on the overdue export proceeds from their respective consignees.

10. Authorised Dealer's Own Foreign Payments

- 10.1 In order to expedite the processing of applications for Authorised Dealer's own foreign payments, Authorised Dealers are hereby advised that foreign payments funded from the interbank market are subject to prior Exchange Control approval.
- 10.2 All other provisions of Section 8 of the Exchange Control Directive RU80 shall continue to apply.

11. Levying of Import Penalty Fees

- 11.1 Authorised Dealers are advised that the import penalty fees shall remain at 1% of the outstanding advance payments. However, the penalty fee shall be levied in Zimbabwe Dollars at the prevailing interbank exchange rate effective 01 August 2019.

11.2 The CEBAS system shall be adjusted accordingly to reflect the penalty fee in Zimbabwe Dollars.

12. Exchange Control Compliance

12.1 The removal of the multicurrency system in terms of the Statutory Instrument 142 of 2019 requires full appreciation and understanding of Exchange Control regulations and policies by Authorised Dealers and Bureaux de Change in order to ensure total compliance in the market.

12.2 Accordingly, Authorised Dealers and Bureaux de Change are required to ensure full compliance with the provisions of Exchange Control regulations and policies, failure of which may result in revocation of the respective financial institution's operational licence.

13. Please be guided accordingly.



F. Masendu
Director

EXCHANGE CONTROL

24 July 2019



**ANNEXURE II: DECLARATION BY AUTHORIZED DEALERS ON THE
SUBMISSION OF APPLICATIONS FOR BLOCKED FUNDS**

I/We,..... andon behalf ofBank hereby solemnly declare that, in submitting this application for Registration of Blocked Funds for my/our client(s), I/we have verified the Blocked Funds using documentation specified in Exchange Control Directive RU28 dated 22 February 2019 and are satisfied that the amount ofbeing registered as blocked funds is a bonafide outstanding obligation by the client(s).

The applicant(s) has/have also declared that they have not submitted and will not submit the same Blocked Funds for registration through another Authorized Dealer.

The bank declares that the information contained in this Form is in its entirety true and correct. The bank acknowledges that providing false information is in breach of Paragraph (b) of subsection 2 of section 5 of the Exchange Control Act [Chapter 22:05].

.....
Authorized Signatory

.....
Authorized Signatory

Date

Date



Annexure III: Document Requirements for Blocked Funds

Type of Transactions	Supporting Documents
Imports of goods	<ul style="list-style-type: none"> • Zimra stamped Bills of Entry (Imports) • NOIC Release orders (fuel) • Current Statement from supplier • Invoice
Imports of Services	<ul style="list-style-type: none"> • Exchange Control Authority Number under which the service agreement was registered • Confirmation by auditors of work done • Completed Exchange Control Services Payments Declaration Form (ECSPAD) • Completion of works certificate • Current Statement from external supplier
External Loans	<ul style="list-style-type: none"> • Exchange Control Authority under which the external loan was approved/registered • Current statement from lender • Schedule showing loan drawdowns and repayments • Proof of loan drawdown (telegraphic transfers and/or Zimra stamped Bills of Entry (Imports))
Dividends	<ul style="list-style-type: none"> • Audited financial statements for the period in which the dividend was declared • Auditor's certificate certifying the company has enough cash resources to pay the dividend • Auditor's certificate confirming that the dividend is being paid out of bona fide trading profits for the year ended and not retained profits • Board resolution
Disinvestments from Foreign direct investment	<ul style="list-style-type: none"> • Exchange Control Authority Number under which the disinvestment was approved
Disinvestments from portfolio investment	<ul style="list-style-type: none"> • Proof of initial capital investment from offshore • Statement from the custodial bank confirming current balance
Outstanding remittances to international airlines	<ul style="list-style-type: none"> • Bank statement showing current balance
Non-Resident RTGS dollar balances	<ul style="list-style-type: none"> • Exchange Control authority under which the account was opened • Zimra stamped Bills of Entry (Imports) confirming supply of goods into the country
Other debts	<ul style="list-style-type: none"> • Relevant supporting documents in the form of invoices and statements