



PRESS STATEMENT

ON THE AVAILABILITY AND ALLOCATION OF FOREIGN EXCHANGE, KYC AND CDD REQUIREMENTS, USE OF PLASTIC MONEY AND SUBMISSION OF INFORMATION BY PRODUCERS SUPPORTED BY STATUTORY INSTRUMENT 64 OF 2016

Availability and Allocation of Foreign Exchange

The Reserve Bank of Zimbabwe (the "Bank") is pleased to note that the economy is recovering on the backdrop of a good agricultural out-turn and the turnaround of the mining sector. The foreign exchange spinoffs from these two critical sectors of the economy have started to drive the revival of the industrial sector, especially those sub-sectors that are benefiting from the provisions of Statutory Instrument 64 of 2016 which is designed to promote local industrial production.

As a result of the increased foreign exchange earnings from agriculture and mining and the Nostro stabilisation facility availed by the African Export-Import Bank (Afreximbank), the Bank has, since the second week of April 2017, been able to allocate US\$100 million into the national economy on a weekly basis to meet various foreign exchange demands that include essential imports and payments, feedstock for industrial production and discharging outstanding foreign payments obligations. These supplementary allocations of foreign exchange by the Bank are over and above the US\$1.2 billion of foreign exchange made available by banks to the various sectors of the economy during the period January - April 2017.

The Bank's allocations which are earmarked for **funded bank accounts only** have not only significantly reduced the real demand for foreign exchange but have also

reduced the foreign payments backlog by more than 50% to the current level of US\$185 million. Foreign exchange allocations to funded accounts have also addressed the fictitious overdraft-driven demand for foreign exchange. This policy position is critical to contain the latent demand for foreign exchange. The Bank will continue to provide forex under this arrangement from an average of 25% of foreign exchange resources it receives from tobacco and mining exporters.

Request for Information from Producers Supported by SI 64 of 2016

In order to enhance financial support to enterprises that are supported by the provisions of Statutory Instrument 64 of 2016, the Bank is requesting for information from the said entities including name, contact person and details, business activity, type of products, and current and potential external markets for the products. The information should be submitted to the Bank through the respective entities' primary bankers by the **7th of May 2017**.

Promoting the Use of Plastic Money & Adherence to KYC and CDD

The Bank is encouraged by the improvement in cash deposits at banks, especially US\$ and bond notes, since the end of the Easter Holidays. Cash deposits at banks and Nostro holdings have increased by 50% to US\$450 million. The US\$ cash deposits and the foreign exchange held in Nostro accounts are over and above the \$140 million of bond notes, \$23 million bond coins and an estimated US\$400-600 million in circulation in the economy.

In order to maintain this positive development and for more convenience to the transacting public, the Bank is putting in place measures to make the use of plastic (including international credit cards) and electronic money cheaper and more attractive than using cash and to ensure that bank **account holders are bona fide law abiding and tax paying citizens**. The measures will also promote the enhanced use of plastic and electronic money which currently accounts for 70% of retail transactions.

The measures are as follows:-

- Charges or levies on plastic money and electronic transactions are being reviewed downwards.
- Banks are required to strictly adhere to the Know Your Customer (KYC) and Customer Due Diligence (CDD) principles for all their customers at all times to take account of the following:-
 - a) Ensuring the existence and implementation of a robust KYC and CDD framework which is substantially premised on the bank's knowledge of the source of funds and wealth of their customers;
 - b) Ensuring that, where necessary, customers have tax clearance certificates;
 - c) De-risking or exiting inappropriate banking relationships to manage or remediate risk; and
 - d) Enhancing operational efficiency on the use of international cards by ensuring that bank **customers are not inconvenienced** when using international cards in circumstances where the users would have made prior arrangements with their banks on the use of such cards **or** in the case of emergency situations **or** in the case of Zimbabwe diplomatic staff working abroad who require to access their salaries from their respective countries of service.

Reporting of Non-Compliance and Breaches

To promote and enforce compliance with best practice and anti-money laundering rules and regulations, the Bank is pleased to advise that it has established dedicated Hotline numbers for the public to report individuals and firms or traders that may be involved in cash hoarding, selling or abusing or externalising of cash, or any related misdemeanor. A reward equivalent to **5%** of the **reported and recovered** cash amount will be offered by the Bank. Information provided to the Bank shall be kept in confidence between the informant and the Bank. The Hotline numbers are **08006009** and **08086770**.

Dr J P Mangudya
Governor
2 May 2017