Press Statement

Introduction of a Second Foreign Exchange Auction System for Small and Medium Enterprises

The Reserve Bank of Zimbabwe (the Bank) is pleased to advise the public of the introduction of a second foreign exchange auction system to cater for the foreign currency needs of Small and Medium Enterprises (SMEs).

The Bank would like to express its appreciation to Government for contributing foreign exchange towards the success of the foreign exchange auction system in Zimbabwe.

The second auction system shall be implemented on the following terms and conditions:

1. **Bidding Conditions & Qualifying Criteria**
   
   i. SME bidders shall submit their bids as individuals or firms through an Authorised Dealer;
   
   ii. Only bids for a minimum amount of US$2,500 and a maximum of US$20,000 from each bidder per auction shall be accepted;
   
   iii. All bids shall be in United States Dollars (US$);
   
   iv. Bidders shall submit only one bid per Foreign Exchange Auction and submission of more than one bid shall result in rejection of all bids submitted by the concerned bidder;
   
   v. Bids submitted by bidders that have overdue export receipts or bidders that have not acquitted foreign payments as required by law shall be rejected;
   
   vi. Bids submitted by bidders with positive balances in their Nostro accounts that are equal to or more than the bid amount shall be rejected;
   
   vii. Bidders must submit their bids to their Authorised Dealers by 1500 hours on every Wednesday, or if the Wednesday falls on a public holiday, on the next business day, preceding the date of the next Foreign Exchange Auction;
   
   viii. Bidders must provide in their bids sufficient details of the purpose of funds and description of goods or services to be paid for;
   
   ix. Foreign currency shall only be allotted for the purpose for which a bid has been made and utilising allotted foreign currency for any other purpose shall not be permitted;
   
   x. Foreign currency shall be allotted on the basis of bidder’s bid rate; and
   
   xi. Foreign currency shall be allotted to winning bids according to the Import Priority List (80% Priority Level 1 and 20% Priority Level 2).
2. **Information to be included in Bids**
2.1. Bidders shall be required to submit to their Authorised Dealer the following information when making bids on their own behalf to the Foreign Currency Auction System:
   - i. Name of Authorized Dealer;
   - ii. Name of Applicant;
   - iii. Applicant’s BP/national identity number;
   - iv. Type of Transaction and sector category
   - v. Bid amount in US$;
   - vi. Bid rate;
   - vii. The Zimbabwe Dollar (ZW$) Equivalent;
   - viii. FCA Declaration; and
   - ix. Relevant Import Invoices.

3. **Information to be Submitted by Authorised Dealers on the Bidding Platform**
3.1. Authorised Dealers shall submit to the Bank the following information when making bids on behalf of their clients.
   - i. Name of Authorized Dealer;
   - ii. Name of Applicant;
   - iii. Applicant’s BP/national identity number;
   - iv. Bid rate;
   - v. Bid amount in US$;
   - vi. Purpose; and
   - vii. Sector Category.

4. **Bidding Timelines**
4.1. The Foreign Exchange Auction will be conducted every Thursday.
4.2. Where the Thursday falls on a holiday, the Foreign Exchange Auction will be held on the following working day.
4.3. Cut-off time for submission of bids will be 0900 hours on the day of the Foreign Exchange Auction.
4.4. Foreign Exchange Auction results will be released and published by 1630 hours on the Foreign Exchange Auction day.

5. **Settlement**
5.1. Payment of winning bids will be made through the Zimbabwe Transfer and Settlement System (ZETSS) on a T + 1 basis.
5.2. The Bank will transfer the foreign currency to the Nostro Account of the winning bidders’ Authorised Dealer, after receiving the ZW$ equivalent. In line with international best practice, settlement of funds transferred to the Nostro Account will be on a T + 2 basis.
6. **Market Discipline**

6.1. Any entity found to be flouting the rules of the auction should be disqualified from participating on the Foreign Exchange Auction.

6.2. The Exchange Control flagging system will be used to identify delinquent participants and as a result:

- Bids by Red Flagged entities with overdue Forms CD1 shall be disqualified at the Authorized Dealer level. Entities must comply with regulations applicable to the repatriation of export proceeds to the country;
- Entities with overdue and unacquitted Bills of Entry, shall be disqualified; and
- Third party bidding shall not be permitted.

7. **Publication of Results**

Below is the information that will be availed to the public after every Foreign Exchange Auction:

i. Amount on Offer (US$);
ii. Total Number of Bids;
iii. Total Amount of Bids Accepted (US$);
iv. Amount Allotted (US$);
v. Rejected Number of Bids; and
vi. Weighted Average Auction Rate ZW$/US$.

8. **Conclusion**

8.1. The introduction of the SMEs Foreign Exchange Auction System is primarily meant to enable this sector to access foreign currency for the import of essential services and raw materials for their businesses.

8.2. It had become clear that the SMEs sector had been crowded out of the foreign exchange space by the big players. The Foreign Exchange Auction System shall continuously be fine-tuned in order to ensure that it best serves the interests of the economy.

[Signature]

JOHN P. MANGUDYA
GOVERNOR
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