



## PRESS STATEMENT

### RESOLUTIONS OF THE MONETARY POLICY COMMITTEE MEETING HELD ON 26 JUNE 2020

The Monetary Policy Committee of the Reserve Bank of Zimbabwe (the MPC) met on 26 June 2020 and deliberated on, and made resolutions on, the following issues:

- **Foreign Exchange Auction System**

The Committee welcomed the outcome of the inaugural Foreign Exchange Auction held on Tuesday, 23 June 2020, which gave rise to the initial market-determined exchange rate of ZW\$57.36 to the US\$.

The Committee urged foreign exchange recipients (including exporters, NGOs, *bureaux de change* and receivers of remittances) to participate directly in the auction process by offering foreign currency to the Bank at their preferred reserve prices in order to enhance the efficiency and effectiveness of the Foreign Exchange Auction System.

The Committee restated that authorised dealers and *bureaux de change* must serve all entities and individuals in need of foreign currency in between auctions, including those with requirements below the auction threshold of USD50 000, at the ruling market exchange rate.

- **Open Market Operations (OMO)**

In order to help stabilise the auction-determined exchange rate and preserve value for depositors and investors, the MPC **Resolved** to introduce an exchange rate indexed OMO instrument, open for uptake by individuals and entities with excess liquidity. The instrument will have the following features:

- (a) It will be settled in Zimbabwe dollar;
- (b) The principal will be linked to the auction determined exchange rate;
- (c) It will earn interest at the rate of 5% per annum (subject to review from time to time); and
- (d) Its maturity will vary from 30 days to 360 days.

The MPC urged banks to structure similar exchange rate linked instruments for depositors and borrowers.

- **Policy Rate**

In order to curb speculative borrowing, the MPC **Resolved** to increase the Bank Policy rate from the current 15% to 35%, with effect from 1 July 2020. The rate will be reviewed from time to time as dictated by prevailing market fundamentals.

The MPC policy measures taken are envisaged to support the smooth functioning and sustainability of the Foreign Exchange Auction System and stabilisation of the exchange rate and inflation rate.

**John P Mangudya**

**Governor**

**30 June 2020**