



EXCHANGE CONTROL CIRCULAR NUMBER 04 OF 2023 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 the Statements on Policy Measures to Stabilize the Economy issued by the Minister of Finance and Economic Development on 11 and 29 May 2023 and the subsequent resolutions of the Monetary Policy Committee (MPC) meeting held on 6 June 2023. In order to operationalise the foreign exchange policies contained in these Statements, Authorised Dealers and *bureaux de change* are advised as follows:-

2. Enhancement of the Foreign Exchange Interbank Market

- 2.1 In order to support the Wholesale Foreign Exchange Auction System which was introduced through Exchange Control Directive RY002/2023 dated 3 February 2023, the Bank shall, in line with the MPC resolution, sell foreign currency to Authorised Dealers and *bureaux de change* at market determined exchange rates with effect from 7 June 2023.
- 2.2 Authorised Dealers and *bureaux de change* shall in turn sell foreign currency to their customers to meet international foreign payments within 72 hours of receipt of funds.
- 2.3 Authorised Dealers and *bureaux de change* are advised that the guidelines for the Wholesale Foreign Exchange Auction System shall remain in place as previously advised in Exchange Control Directive RY002/2023.

3. Upward Review of the Inter-bank Trading Limits

- 3.1 Further to Exchange Control Directive RY002/2023 dated 3 February 2023 on the Willing-Buyer Willing-Seller (WBWS) framework, Authorised Dealers are advised that with effect from 7 June 2023, the applicable limit for the WBWS has been increased from US\$100,000 per entity per week to US\$500,000 per entity per week.

4. Review of Trading Margins on the Willing-Buyer Willing Seller Arrangements

- 4.1 Reference is made to the MPC resolution of 28 March 2023 which increased and standardised the trading margins for Authorised Dealers from 5% to 10%, consistent with the margin applicable to *bureaux de change* and retailers.
- 4.2 Authorised Dealers are advised that with effect from 7 June 2023, the trading margin for Authorised Dealers, *bureaux de change* and retailers shall be aligned to international best practice.

5. Revised Foreign Exchange Bid Limits

- 5.1 Authorised Dealers are further advised that the Main and MSME auctions shall be merged under the US\$5million per week auction with effect from 7 June 2023.
- 5.2 Under the refined foreign exchange auction, the bid limits have been revised to a minimum of US\$1,500 and a maximum of US\$50,000 and this shall be applicable to both primary and secondary users of foreign currency.
- 5.3 The modalities for the submission of bids and supporting documentation shall remain in place as was previously advised by Exchange Control.

6. Settlement of Statutory Surrender Portion of Export Proceeds

6.1 Authorised Dealers are advised that all export proceeds subject to the statutory surrender requirement, shall continue to be subjected to the prevailing 25% surrender requirement. The settlement of this surrender portion of export proceeds shall continue to be through the existing normal banking settlement platforms.

7. Use of International Credit/Debit Cards

7.1 Authorised Dealers are encouraged to promote the use of international credit /debit cards by their clients for personal use to meet expenses such as holiday, travel, education and any other personal expenses guided by the Authorised Dealer's Know Your Customer (KYC) principles, limited to an amount not exceeding US\$500,000 per year per individual.

8. Compliance with Exchange Control Regulations

8.1 Authorised Dealers and *bureaux de change* are reminded that as advised in Exchange Control Directive RY002/2023, transactions on the interbank foreign exchange market shall be funded on a First-In First-Out basis and shall be declared on the EC Form-Interbank Sales and Purchases Return and on the Bureaux de Change Transactions Reporting System (BDCTRS), respectively.

8.2 Furthermore, Authorised Dealers and *bureaux de change* are encouraged to adhere to sound banking practices in the administration of the interbank foreign exchange market to guard against speculative or arbitrage behaviour by both the banks/*bureaux de change* and clients. Exchange Control shall adopt strict compliance monitoring mechanisms to curb any such tendencies.

8.3 Failure to comply with these policies or directions as contained in this Exchange Control Circular and any other regulations, constitutes a violation of Exchange Control provisions. Any such violations shall be dealt with 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.

Please be guided accordingly.

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C. Tembo
Acting Director
EXCHANGE CONTROL

7 June 2023