



## **EXCHANGE CONTROL DIRECTIVE RU80/2019**

22 May 2019

### **HARARE**

### **ATTENTION:**

Dear Sir/Madam,

## **DIRECTIVE 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 Press Statement issued by the Governor on 20 May 2019 on the payment arrangements for fuel through the interbank foreign exchange market and the drawing down of US\$500 million offshore line of credit.
- 1.2 In order to operationalize the foreign exchange measures contained in the Press Statement by the Governor, Exchange Control in terms of Section 35 (1) of the Exchange Control Regulations, Statutory Instrument 109 of 1996, hereby issues this Exchange Control Directive to provide an administrative framework to Authorised Dealers.

### **2. US\$500 million offshore line of credit to supplement interbank market**

- 2.1 In order to supplement the interbank foreign exchange market and to ensure availability of foreign currency for use by both corporates and individuals, the Reserve Bank has secured an offshore line of credit which it has already started drawing down on.
- 2.2 The US\$500 million offshore line of credit is expected to improve the functionality of the interbank foreign exchange market, whilst at the same time

allowing timeous settlement for importation of critical goods and services, which development will lead to price stability.

### **3. Increasing supply of foreign exchange in the interbank market**

- 3.1 Authorised Dealers are advised that with effect from 21 May 2019, the interbank foreign exchange market shall be anchored on the **willing-seller willing-buyer principle**.
- 3.2 Under the willing-seller willing-buyer concept, the seller shall approach an Authorised Dealer or Bureau de Change in order to sell foreign currency at an exchange rate the seller is willing to sell at. Upon purchase, the Authorised Dealer shall sell the foreign currency to willing buyer at the rate at which they purchased the foreign exchange plus a margin of up to 2.5% within 24 hours of purchase.
- 3.3 Authorised Dealers shall ensure that the purchase of foreign exchange on the interbank market is solely for the funding of underlying external payments and against accounts which are adequately funded. In addition, Authorised Dealers shall effect the external payments within 24 hours from the date of purchase of the foreign currency.
- 3.4 Authorised Dealers are directed to cease forth with facilitating twinning arrangements between sellers and buyers of foreign currency.

### **4. Reporting of Interbank Market Transactions**

- 4.1 Consistent with Exchange Control Directive, RU 28 dated 22 February 2019, Authorised Dealers shall continue submitting the Daily Interbank Purchases and Sales Return to Exchange Control by 10.00hrs every day for transactions of the previous dealing day. Authorised Dealers are directed to clearly declare the exchange rate at which the willing seller sold the foreign currency to the Authorised Dealer and the rate at which the Authorised Dealer is selling to the willing buyer (see Annexure 1).

## 5. Efficient and effective use of foreign exchange

5.1 Authorised Dealers are advised that the Guidelines for Utilisation of Foreign Exchange are still applicable. In this regard, Authorised Dealers through the interbank foreign exchange market are directed to support the funding of importation of critical goods and services in line with the following guidelines;

**Table 1: Guidelines for Utilisation of Foreign Exchange**

CATEGORY	FOREIGN CURRENCY PAYMENTS
<b>Category One</b> <b>70%</b>	<ul style="list-style-type: none"> <li>i. Net Exporters who import raw-materials or machinery to aide them to produce and generate more exports;</li> <li>ii. Non-exporting importers of raw materials and machinery for local production (value addition) that directly substitute import of essential finished goods;</li> <li>iii. Imports of critical and strategic goods such as basic food stuffs and fuel, health and agro-chemicals granted these goods are not available locally (to be funded through LCs and allocations from the Allocation Committee)</li> <li>iv. Repayments of offshore lines of credit procured to fund productive activities;</li> <li>v. Payments for services not available in Zimbabwe;</li> <li>vi. Foreign investment (Capital disinvestments, profits and dividends).</li> <li>vii. Remittance of rental income from properties owned by non-resident Zimbabweans and foreign investors who would have purchased property using funds originating from offshore and transferred through normal banking channels</li> <li>viii. Remittance of pension income for non-resident Zimbabweans who formally emigrated from Zimbabwe</li> <li>ix. Importation of packaging material not available in Zimbabwe</li> <li>x. University and college fees.</li> <li>xi. Mining Consumables such as specialised steel rods.</li> <li>xii. Goods and Services not locally available for Tourism Operators</li> </ul>
<b>Category Two</b> <b>15%</b>	<ul style="list-style-type: none"> <li>i. Disinvestment proceeds from the Zimbabwe Stock Exchange (portfolio investments)</li> </ul>
<b>Category Three</b> <b>15%</b>	<ul style="list-style-type: none"> <li>i. Capital remittances from disposal of local property</li> <li>ii. Capital remittances for cross border investments</li> <li>iii. Funding of offshore credit cards</li> </ul>

CATEGORY	FOREIGN CURRENCY PAYMENTS
	iv. Importation of trinkets, low local content consumer goods and/ or goods readily available in Zimbabwe including non-commercial vehicles, maheu, bottled water, tomatoes, vegetables. v. Payments for services available in Zimbabwe vi. Donations.

## 6. Funding of Fuel Imports through Interbank Foreign Exchange Market

- 6.1 Authorised Dealers are directed that with effect from 21 May 2019, Oil Marketing Companies (OMCs) shall purchase foreign currency requirements for importation of fuel from the interbank foreign exchange market at the prevailing interbank market exchange rate.
- 6.2 This effectively means that the 1:1 exchange rate which was employed for importation of fuel and other goods and services, is no longer applicable with effect from 21 May 2019.

## 7. Use of Letters of Credit to Fund Critical Imports

- 7.1 Authorised Dealers are advised that over and above accessing foreign currency from the interbank market, importation of essential commodities such as fuel, grain, medicines and cooking oil, shall continue to be financed through Letters of Credit (LCs). Authorised Dealers should, however, take note that from 21 May 2019, issuance of new LCs will be priced at the prevailing interbank foreign exchange rate. Authorized Dealers are also directed to submit a return of new LCs on a monthly basis using the attached template (**Annexure 2**) by the 14th day of every month for the preceding month.
- 7.2 In order to ensure continuity and avoid unnecessary business disruptions, Authorised Dealers are advised that all LCs that were issued on or before 20 May 2019, shall remain priced at the agreed exchange rate when the LC was issued. Accordingly, Authorised Dealers are directed to furnish Exchange Control with running LCs that were issued before 21 May 2019 using the attached template (**Annexure 2**).

## **8. Funding of Banks' Own Foreign Payments**

- 8.1 Authorized Dealers are advised that with effect from 21 May 2019, banks are required to seek prior Exchange Control approval on the Document Management System (DMS) before effecting the bank's own foreign payments. This requirement applies to all payments<sup>37</sup> by the banks funded from the interbank foreign exchange market, Bank Nostro FCA and pooled funds from clients<sup>38</sup>.
- 8.2 When submitting the applications for prior approval of their payments, Authorized Dealers shall provide the following information depending on the nature of payment:-
- i. Invoices and/or Bills of Entry (Import)
  - ii. Completion of Works Certificate and Form ECSPAD for service payments
  - iii. Details of other payments already effected under the current year and their values and source of funding (Interbank Market or own FCA)
  - iv. Funds available for sale on the interbank market at the time of submission
  - v. Current bank statement showing balance in the Bank Nostro FCA
  - vi. List of cardholders (including bank staff) and applicable amounts for prefunding and settlement of card transactions
  - vii. Source of funding for the current payment.
- 8.3 In addition, the bank shall, in its application letter, declare that the payments are bona fide payments for the bank.
- 8.4 Upon effecting payment, Authorized Dealers shall report the payments on the Computerised Exchange Control Batch Application System (CEBAS), quoting relevant DMS approvals within 24 hours.

## **9. Treatment of Card Transactions**

- 9.1 In order to avoid duplication on the reporting of international card transactions, going forward, Authorized Dealers are directed to report payments to their international card partners for prefunding or settlement on the CEBAS system,

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<sup>37</sup>Including payments under registered service agreements and other prior approvals by Exchange Control.

<sup>38</sup>Funds collected for remittance by the Bank, for example, DSTV payments, Card Settlement and Prefunding.

by selecting "Card Transactions" as the transaction type, the bank as the applicant and the respective source of funding.

- 9.2 Authorized Dealers are also directed to submit individual card transactions on a monthly basis using the attached template (**Annexure 3**) by the 14th day of every month for the preceding month, starting with transactions for the period 01 January 2018 to 31 May 2019.

## **10. Tobacco Payments to Farmers**

- 10.1 In line with Exchange Control Circular Number 5 dated 16 April 2019, Authorised Dealers are advised that, payments to tobacco growers shall continue to be done at the prevailing interbank mid-rate as published by the Reserve Bank, Financial Markets. In this regard, tobacco growers shall continue to claim their Nostro FCA entitlements at the same mid-rate applied on the date of sale.
- 10.2 Exchange Control has also noted with concern, the delay in crediting growers' Nostro Accounts with the foreign currency entitlements. Authorised Dealers are, therefore, directed to credit into the growers' Nostro Accounts, all outstanding foreign currency entitlements by 31 May 2019. All unclaimed funds shall be returned to the Reserve Bank in line with Exchange Control Circular Number 5, dated 16 April 2019.

## **11. Abuse of Nostro FCA (Domestic)**

- 11.1 Exchange Control has noted with concern the rampant abuse of Nostro FCA (Domestic) by market players with the objective of evading existing Exchange Control policies governing treatment and utilisation of foreign currency.
- 11.2 In this regard, Authorised Dealers are advised that the transfer of funds from Nostro FCA (Exports) to any other Nostro FCA including Nostro FCA (Domestic) of the same company, is not permitted. In cases where the exporter intends to augment export proceeds with foreign currency holdings in other Nostro FCAs, funds in the Nostro FCA (Exports) should be transferred direct to the supplier of goods or services.

11.3 In the same vein, Authorised Dealers are advised to ensure that the FCAs of their clients are properly designated according to the source of funds as previously communicated through Exchange Control Directive RU28 dated 22 February 2019. In line with the need to ensure that the Domestic FCA is properly administered, Authorised Dealers shall furnish Exchange Control with a schedule of Domestic FCA funding by 1000 hours every Monday through the attached template (**Annexure 4**).

## **12. Enhanced compliance monitoring**

12.1 Authorised Dealers are advised that failure to comply with these regulations or directions as contained in this Exchange Control Directive and any other regulations, constitutes a violation of Exchange Control provisions. Incorrect coding or false and misleading declarations is a punishable offence.

12.2 Authorised Dealers and market players who shall be found in violation of Exchange Control regulations and policies, shall be penalised 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, which call for, among other penalties, the withdrawal of Authorised Dealership licence.

Yours Sincerely



O. Runesu

Acting Director

**EXCHANGE CONTROL**

Cc: \_\_\_\_\_, Exchange Control Head

\_\_\_\_\_, Treasury Head

# Annexure 1: Daily Interbank Purchases and Sales Return



DAILY INTERBANK PURCHASES AND SALES RETURN														Opening Balance				
														Receipts				
														Amount Paid				
														Closing Balance for the day				
														FUNDING				
RECEIPTS							PAYMENTS							Rate Applied	Rate Applied			
Foreign Currency Earner	Sector	Currency	Voluntary Liquidation	Statutory Liquidation (after 30 days)	USD Equivalent	Rate Applied	USD Equivalent	Total Received by the bank	Name of Importer	Sector	Transaction Type	Transaction Description	Currency	Amount Paid	USD Equivalent	Amount Debited in Importer RTGS account	Rate Applied	
<b>Total</b>																		NOV/21

**DECLARATION BY AUTHORISED DEALER**  
 The Bank declares that the information contained in this form is in its entirety true and correct. This declaration is made in compliance with the provisions of Section 41 of the Exchange Control Regulations, Statutory Instrument 109 of 1996. I acknowledge that providing false information is a breach of paragraph (b) of subsection (1) of Section 5 of the Exchange Control Act [Chapter 22:05] and doing so will render me liable to prosecution under the Act.

.....  
 Authorized Signatory  
 Head- Exchange Control

.....  
 Authorized Signatory  
 Head-Treasury Head



## ANNEXURE 2: Monthly Return on Letters of Credit



### MONTHLY RETURN ON LETTERS OF CREDIT

Name of Bank: \_\_\_\_\_  
 Return for the Month of: \_\_\_\_\_

Bank Authority Number	DATE	EXPORTER	SECTOR	CCY	AMOUNT RECEIVED	USD EQUIVALENT	PORTION DUE TO RBZ	LC APPLICANT	LC REFERENCE	DATE ISSUED	Approval Number	Approval Amount	Actual LC Amount excluding Tolerance	LC Amount Inc Tolerance	TOTAL RUTIN/ G/LCS	TOTAL CLOSED	SETTLEMENT DATE	PROGRAMME FINANCED	shipment documents	Value of goods received to date(boe)	Total Outstanding	Comments		

**DECLARATION BY AUTHORISED DEALER**  
 The Bank declares that the information contained in this form is its entirety true and correct. This declaration is made in compliance with the provisions of Section 41 of the Exchange Control Regulations, Statutory Instrument 109 of 1996. I acknowledge that providing false information is a breach of paragraph (b) of subsection (1) of Section 5 of the Exchange Control Act [Chapter 22:05] and doing so will render me liable to prosecution under the Act.

.....  
 Authorized Signatory  
 Head- Exchange Control

### Annexure 3: Template for Card Transactions



#### MONTHLY RETURN ON CARD TRANSACTIONS

Name of Bank  
Return for the Month of ..... 20xxxx

Customer name	ID/Passport Number	Card Number	Transaction type (ATM/POS/ONLINE)	Beneficiary/Supplier	Acquirer/Supplier country code	Transaction Currency	Transaction amount	US Equivalent	Transaction Date
COLLEN CEBAS	56022970X34	445356xxxx0078	ONLINE	MULTI CHOICE AFRICA Port Louis MU	MU	MUR	2,620.69	76.00	8-Aug-18
FAITH CEPECS	80134148F15	445356xxxx0409	ATM	US BANK 12TH AVENUE ROAD NAMPWA, US	US	USD	1003	1,003.00	1-Aug-18
STEPHEN ADAMS	63914570A35	445356xxxx1809	POS	BIG FIVE DUTY FREE KEMPTON PARK ZA	ZA	ZAR	663.38	45.75	1-Aug-18

#### DECLARATION BY AUTHORISED DEALER

The Bank declares that the information contained in this form is in its entirety true and correct. This declaration is made in compliance with the provisions of Section 41 of the Exchange Control Regulations, Statutory Instrument 109 of 1996. I acknowledge that providing false information is a breach of paragraph (b) of subsection (1) of Section 5 of the Exchange Control Act [Chapter 22:05] and doing so will render me liable to prosecution under the Act.

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Authorized Signatory  
Head - Exchange Control



## Annexure 4: FCA Domestic Return

EC-FORM - FCA DOMESTIC RETURN

NAME OF BANK

FINANCIAL YEAR:

DEALING DATE:



Name of Company	Sector	Currency	Opening Balance	Credits/ Inflows	Source of Funding	Foreign Payments	Domestic Payments	Closing Balance	USD Equivalent (Closing Balance)

**DECLARATION BY AUTHORISED DEALER:** The Bank declares that the information contained in this form is in its entirety true and correct. This declaration is made in compliance with the provisions of Section 41 of the Exchange Control Regulations, Statutory Instrument 109 of 1996. I acknowledge that providing false information is a breach of Paragraph B of subsection (1) of Section 5 of the Exchange Control Act Chapter 22:05 and doing so will render me liable to prosecution under the Act.

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**Authorised Signatory**