



**EXCHANGE CONTROL DIRECTIVE
TO
AUTHORISED DEALERS**

RU 28/2019

22 FEBRUARY 2019

Table of Contents

1. Introduction	2
2. Establishment of an Interbank Foreign Exchange Market	2
3. Export Receipts Retention Thresholds	4
4. Export Receipts Retention Periods	5
5. Administration of Foreign Currency Accounts	6
6. Administration of export proceeds	7
7. Discontinuation of Export & Diaspora Incentive Schemes	7
8. Registration of foreign liabilities and legacy debts	8
9. Registration of Bureaux de Change	9
10. Administration of foreign payments for imports	9
11. Submission of Exchange Control Returns	10
12. Enhanced compliance monitoring	11

1. Introduction

- 1.1 This Exchange Control Directive to Authorised Dealers is issued in terms of Section 35 (1) of the Exchange Control Regulations, Statutory Instrument 109 of 1996 to provide Authorised Dealers with an administrative framework for operationalizing the foreign exchange measures contained in the Monetary Policy Statement announced by the Governor of the Reserve Bank of Zimbabwe on 20 February 2019.
- 1.2 Authorised Dealers are therefore, required to acquaint themselves with the provisions of this Exchange Control Directive to ensure effective implementation and administration of the foreign exchange measures announced in the Monetary Policy Statement.

2. Establishment of an Interbank Foreign Exchange Market

- 2.1 Pursuant to the Monetary Policy Statement announced, Authorised Dealers are advised that the Reserve Bank of Zimbabwe has with effect from 20 February 2019, established an interbank foreign exchange market where RTGS dollars (RTGS balances, bond notes and coins, mobile money) can be traded against the US\$ and other denominated currencies at the prevailing market exchange rate.
- 2.2 The buying and selling of foreign currency on the interbank foreign exchange market shall be on a willing-buyer, willing-seller basis through banks and Bureaux de Change.
- 2.3 The RTGS Dollars, shall be used by all entities including Government and individuals in Zimbabwe for the purpose of pricing of goods and services, recording of debts, accounting and settlement of domestic transactions.

- 2.4 In order to kick-start the foreign exchange market, the Reserve Bank shall sell to Authorised Dealers seed foreign currency capital at the start mid-rate of 1US\$:2.5 RTGS Dollars and apply a margin of 2.5% either way. Going forward, Authorised Dealers and Bureaux de Change shall buy and sell foreign currency at prevailing interbank market rates.
- 2.5 The Treasury Departments of banks are therefore, directed to submit dealing reports on a two (2) hourly basis to the Reserve Bank’s Financial Markets Division through the Reuters screen. The report to Financial Markets should cover the opening position in USD, bid-ask exchange rate, all trades undertaken, and total inflows and outflows.
- 2.6 In order to ensure price stability, foreign currency requirements for strategic imports such as fuel, electricity, water chemicals, medicines, cooking oil, and wheat shall be met through Letters of Credit facilities and support by the Foreign Exchange Allocation Committee.
- 2.7 Authorised Dealers are encouraged to put in place administrative measures to ensure efficient utilisation of foreign currency that is tilted towards the productive sectors of the economy. In this respect, Exchange Control expects the utilisation of foreign currency to be in line with the following guidelines.

Table 1: Guidelines for Utilisation of Foreign Exchange

CATEGORY	FOREIGN CURRENCY PAYMENTS
Category One 70%	i. Net Exporters who import raw-materials or machinery to aide them to produce and generate more exports; ii. Non-exporting importers of raw materials and machinery for local production (value addition) that directly substitute import of essential finished goods; 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) iv. Repayments of offshore loans procured to fund productive activities; v. Payments for services not available in Zimbabwe; vi. Foreign investment (Capital disinvestments, profits and dividends). vii. Remittance of rental income from properties owned by non-resident Zimbabweans and foreign investors that acquired the property using funds originating from offshore and transferred through normal banking channels viii. Remittance of pension income for non-resident Zimbabweans who formally emigrated from Zimbabwe ix. Importation of packaging material not available in Zimbabwe x. University and college fees.

CATEGORY	FOREIGN CURRENCY PAYMENTS
	<ul style="list-style-type: none"> xi. Mining Consumables such as specialised steel rods. xii. Goods and Services not locally available for Tourism Operators
Category Two 30%	<ul style="list-style-type: none"> i. Capital remittances from disposal of local property ii. Capital remittances for cross border investments iii. Funding of offshore credit cards 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 etc. v. Payments for services available in Zimbabwe vi. Donations.

2.8 Authorised Dealers buying and selling of foreign currency are required to:-

- i. Display on an exchange rate electronic board, the buying and selling exchange rates prevailing on the day and the board shall be placed where walk in clients can easily see.
- ii. Keep deal slips for all the sales and purchases done for inspection by Exchange Control at any given point in time.
- iii. Record all foreign currency purchases and sales on a daily basis using Daily return on Interbank Trading Transactions (**See Annexure 1**)

2.9 All interbank market sales to individuals and corporates shall be restricted to funding of external obligations. Accordingly, foreign currency sales on the interbank market should be against bona-fide foreign payments which have to be supported by relevant documentation with settlement done through telegraphic transfers. These transactions, except for education, should be supported by current invoices (invoice obtained after 20 February 2019). For education and medical, parents can use the already issued invoices but are required to reapply through their banks.

3. Export Receipts Retention Thresholds

3.1 Authorised Dealers are advised that the following export retention thresholds shall apply the treatment of export receipts, effective 21 February 2019:-

Table 2: Export Retention Thresholds

Category of Exporter	Exporter Retention	Sale to RBZ
Manufacturing	80%	20%
Large Scale Gold Producers	55%	45%
Small Scale Gold Producers	55%	45%
All other minerals	50%	50%
Tobacco and cotton merchants offshore loans for input schemes	80%	20%
Tobacco and cotton offshore loans for purchase of the crop	0%	100%
Agriculture, Horticulture	80%	20%
Transport and other services	80%	20%

3.2 The portion of export proceeds sold to the Reserve Bank shall be at the ruling or prevailing market exchange rate. Such sales shall be done within 24 hrs of receipt of export proceeds and Authorised Dealers will be required to report all such transactions on the EC Form Exporter Retention by 1000 hours on a daily basis (**see Annexure 2**).

3.3 For small scale gold producers, payment of 55% of receipts from gold deliveries to Fidelity Printers and Refiners (FPR) shall be in foreign currency while the balance shall be in RTGS Dollars at the prevailing market rate. Tobacco and cotton growers shall be paid 30% in their foreign currency accounts and the balance shall be paid in RTGS Dollars.

4. Export Receipts Retention Periods

4.1 In order to enhance liquidity in the foreign exchange market, exporters shall be entitled to utilize their retained export receipts within 30 days from the date of receipt. All unutilized balances shall after the 30 day retention period, be offloaded into the interbank market at the prevailing market exchange rate and reported to Exchange Control on the Daily Return on Interbank Trading Transactions. (**See Annexure 1**).

4.2 Please note that for existing Nostro FCA (Exports), the liquidation period shall run for 30 days effective 22 February 2019. Exporters can therefore, utilize their balances for bona-fide transactions in line with these arrangements.

4.3 The above stated retention thresholds and periods shall **not** apply to international remittances (international organisations/embassies/NGOs), individual funds and loans. These funds shall continue to be treated as free funds and can be offloaded to the interbank market at the market rate to facilitate settlement of domestic transactions by holders of such funds.

5. Administration of Foreign Currency Accounts

5.1 In line with Exchange Control Directive RT120 dated 4 October 2018, Authorised Dealers shall continue to maintain separate Foreign Currency Accounts and report the same on the EC Form Bank Nostro & RTGS Balances (**see Annexure 3**). The following Foreign Currency Accounts shall be maintained:-

Table 3: Foreign Currency Accounts

	Account Designation	Source of Funds
1.	Nostro FCA (Exports)	Export proceeds from offshore only.
2.	Nostro FCA (Offshore Loans)	Offshore loan proceeds only.
3.	Nostro FCA (Investments)	Offshore funds provided by a foreign investor and investment returns realised from cross border/ offshore investments undertaken by resident investors.
4.	Nostro FCA (Domestic)	Foreign currency cash deposits from local trade.
5.	Individual/ Corporate Non-Resident Nostro FCA	Funded from offshore sources by non-residents.
6.	Individual Nostro FCA	Funded with diaspora remittances, donations from non-residents and foreign currency cash deposits.
7.	NGO, Embassies & International Organisations Nostro FCA	Funded with funds sourced from offshore.
8.	Nostro FCA (Transitory)	Funded with funds that are in transit from offshore awaiting transfer to the ultimate beneficiaries. NB: The funds are in transit and the FCA is typically for law firms, real estate agents, Money Transfer Agencies and tourism players.

5.2 All RTGS FCAs shall now be re-designated into RTGS Dollar Accounts in line with the interbank market framework announced in the Monetary Policy Statement.

5.3 Authorised Dealers are directed that local transfers from and into Nostro FCA (Exports) are only permissible for settlement of bona-fide transactions, which the Authorised Dealer should be satisfied with before any such transfers are made. Exchange Control shall carry out ad-hoc inspections to verify such transactions.

6. Administration of export proceeds

6.1 Exporters are reminded that in terms of Section 7 of the Exchange Control (Currency Exchange) Order, Statutory Instrument 9 of 2004, all export proceeds shall be received into the country within 90 days of export or any Exchange Control approved period.

6.2 Authorized Dealers are therefore, required to put in place adequate administrative mechanisms to ensure tracking of export proceeds and Forms CD1/CD3 by sending reminder letters within the 30, 60 and 90 day periods. The Authorised Dealer shall be required to copy Exchange Control on the 90 day reminder letter.

6.3 Authorised Dealers are reminded that Forms CD1/CD3 must be pre-acquitted within five (5) days of receipt of the export proceeds and applications for final acquittal of the export documentation should immediately, after pre-acquittal, be submitted to Exchange Control.

7. Discontinuation of Export & Diaspora Incentive Schemes

7.1 In line with the new administrative arrangements announced in the February 2019 Monetary Policy Statement, Authorised Dealers are advised that the Export Incentive Scheme, the Diaspora Remittance Incentive Scheme (DRIS) as well as export incentives that were being accessed by gold producers, cotton and tobacco growers, macadamia growers and horticultural producers, have been removed with effect from 21 February 2019.

7.2 These incentives have since been subsumed in the market exchange rate and the prices to be paid to growers and producers will be reflective of the market exchange rate. The Bank shall settle all outstanding incentives accrued up to 20 February 2019.

8. Registration of foreign liabilities and legacy debts

8.1 Authorized Dealers are advised that all foreign liabilities and legacy debts which include external loans, dividends, disinvestments from direct and portfolio investments, amounts owed to international airlines and outstanding payments for goods and services provided by external suppliers, shall continue to be settled in foreign currency in line with agreed terms.

8.2 All such obligations, should however, be registered with Exchange Control to guide the Bank on an appropriate plan and roadmap to orderly expunge such debts.

8.3 Authorized Dealers should therefore, validate all such foreign liabilities and legacy debts through verification of appropriate documentation (**See Annexure 4**), to confirm existence of such legacy debts, before submission for registration with Exchange Control on the Document Management System (DMS) attaching an excel schedule in the following format:-.

Table 5: Registration of Legacy Debts

Name of Applicant	Nature of External Obligation (Transaction Description)	Amount owing US\$	Beneficiary	Verification Confirmation by Authorised Dealer	List of Documents Validated
XYZ (Pvt) Limited	Imports of services- software licence Globus	100,000	Perago Pty Ltd of South Africa	Verified	<ul style="list-style-type: none"> • ECAN • Software licence agreement • Account statement
ABC (Pvt) Ltd	External loan-working capital	300,000	Afreximbank Egypt	Verified	<ul style="list-style-type: none"> • ECAN • Loan Agreement • Statement • Schedule of drawdowns and repayments

8.4 Similarly, Authorised Dealers must declare to Exchange Control all transactions that have been part paid indicating the amounts outstanding.

9. Registration of Bureaux de Change

9.1 Currently, the licensing framework for Authorised Dealers with Limited Authority (ADLAs) provides an option to conduct money transfer services as well as to buy and sell foreign currency.

9.2 In line with the Monetary Policy Statement, Bureaux de Change can now buy foreign currency without limit and sell the same towards settlement of small value international transactions for individual subscriptions, business and holiday travel allowance. The Bureaux de Change are authorised to sell foreign currency of up to a maximum aggregate daily limit of US\$10,000.00 per Bureau de Change or its equivalence in any other currencies.

9.3 In order to, therefore, align the existing operational Bureau de Change licences to the Monetary Policy announcement, all current Bureau de Change licences registered under Tier 3 of the Authorised Dealers with Limited Authority have been cancelled to allow re-registration and issuance of new licences in line with the new Bureau de Change Guidelines.

9.4 Authorised Dealers with Limited Authority licenced under Tier 1 and Tier 2, shall continue to operate their Money Transfer activities as before but shall, however, be required to apply for re-licencing of the Bureau de Change business in line with the Bureau de Change Guidelines.

10. Administration of foreign payments for imports

10.1 Authorised Dealers are advised that with effect from 21 February 2019, all foreign payments for goods and services shall be processed upon submission of new invoices with a date issued after 20th February 2019. In this regard, all

requests for foreign payments should be supported by new invoices which have to be submitted to the Authorised Dealer to facilitate payments through the interbank market. This requirement shall, however, not apply to requests for foreign expenses for education and medical, which can be processed using old invoices.

- 10.2 Authorised Dealers are required to register all credit term arrangements between local entities and foreign suppliers with an aggregate value above US\$500,000. The registration shall be done through the Computerised Exchange Control Batch Application System (CEBAS).
- 10.3 Authorised Dealers are therefore advised that no foreign payments for goods whose value is in excess of US\$500,000 shall be effected without prior registration of the credit terms. Similarly, Authorised Dealers are required to advise Exchange Control on advance foreign payments for goods and services whose value is above US\$500,000.
- 10.4 In addition, Authorised Dealers are also required to spread payments for invoice amounts above US\$500,000 to ensure that foreign currency available on the interbank market is evenly distributed to cover requirements for the productive sector.
- 10.5 Authorised Dealers are reminded to ensure compliance by their importing customers through submission of the relevant Bills of Entry (Imports) for acquittal of all imports within 90 days of remittance of funds.

11. Submission of Exchange Control Returns

- 11.1 Authorised Dealers are advised to timely submit all the requisite Exchange Control returns. In submitting such returns, Authorised Dealers should note that false declaration and misrepresentation of information on any return (s) furnished under these regulations are offences that will attract penalties under

the Exchange Control Act. Accordingly, Authorised Dealers must ensure accuracy and correctness of information on all returns submitted to Exchange Control.

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.
- 12.2 Any such violations, shall be dealt with in terms of the 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 calls among other penalties, the withdrawal of Authorised Dealership.
- 12.3 Accordingly, we call upon the relevant authorities and persons tasked with compliance and effective administration of these measures to ensure that such principles are upheld. Boards of Directors of banks and other institutions should ensure that sufficient mechanisms for total compliance have been put in place within the structures of the bank.

EXCHANGE CONTROL DIVISION

22 FEBRUARY 2019

ANNEXURE 1: Daily Return on Interbank Trading Transactions




DAILY RETURN ON INTERBANK TRADING TRANSACTIONS														
Name of Bank:											Opening Balance	1,000,000.00		
Date:											Receipts	10,000.00		
Interbank market rate											Amount Paid	10,000.00		
											Closing Balance for the day	1,000,000.00		
RECEIPTS						PAYMENTS						FUNDING		
Foreign Currency Earner	Sector	Currency	Voluntary Liquidation	Statutory Liquidation (after 30 days)	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
Zimplats	Mining	USD	100,000.00	10,000.00	110,000.00	OKZim	Retail	Consumption	Grocery	USD	10,000.00	10,000.00	20,000.00	2
Total				10,000.00								10,000.00	20,000.00	2

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

.....
 Authorized Signatory
 Head- Exchange Control

.....
 Authorized Signatory
 Head-Treasury Head

ANNEXURE 2: EC FORM EXPORTER RETENTION


EC-FORM - EXPORTER RETENTION										
NAME OF BANK										
FINANCIAL YEAR:										
DECLARATION DATE:										
										
Exporter/ Foreign Currency Earner	BPN / ID Number	Sector	Currency	Total Foreign Currency Earned	Total Foreign Currency Earned -USD Equivalent	USD retained in Foreign currency earners FCA	Percentage Retained in Exporter's FCA	AMOUNT Transferred to RBZ	Percentage Transferred to RBZ	ECAN (where there is Exchange Control Authority to Retain 100%)

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.

Authorised Signatory

Authorised Signatory

ANEXURE 3: EC Form Nostro

<div style="text-align: center;">  </div>			
<u>Institution</u>			
<u>Date</u>			
EXCHANGE CONTROL EC-FORM -BANK NOSTRO AND RTGS BALANCES			
1	ELIGIBLE FCA BALANCES (STOCKS i.e Closing Balance)		
1.1	NOSTRO FCAs:		
	Nostro FCA (Exports)		-
	Nostro FCA (Offshore Loans)		-
	Nostro FCA (Investments)		-
	Nostro FCA (Income)		-
	Domestic FCA		-
	Non-Resident Nostro FCA		-
	Individual Nostro FCA		-
	Non-Governmental Organisation, Embassies & International Organisations Nostro FCA		-
	Bank Nostro FCA		-
	TOTAL NOSTRO FCAs		-
1.2	RTGS BALANCES		
	Corporate RTGS		-
	Individual RTGS		-
	Local NGO RTGS		-
	Non-Resident RTGS		-
	TOTAL RTGS BALANCES		-
1.3	TOTAL FCA BALANCES		-
2	Actual Nostro Balance		
3	UNCLEARED EFFECTS AS AT REPORTING DATE		-
4	DAILY MOVEMENTS IN THE NOSTRO ACCOUNT		
4.1	Receipts from Goods, services, income, capital, etc (+)		-
4.2	Approved Cash Exports <i>(insert Authority number)</i> (+)		-
4.3	Approved Cash Imports <i>(insert Authority number)</i> (-)		-
4.4	Amount transferred to RTGS (-)		-
4.5	Amount transferred from the RTGS (+)		-
4.6	Payments for Goods, services, income, capital, etc (-)		-
4.7	NET MOVEMENT		-
5	BANK'S TOTAL HOLDINGS {Incl. CORPORATE FCAs (DOMESTIC)} - stocks		
5.1	RTGS Balance		-
5.2	Cash at Bank	USD	-
		BOND	-
5.3	Nostro Balance		-
5.4	Loans and advances		-
5.5	Other Investments		-
5.7	TOTAL BANK HOLDINGS		-
<p>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.</p>			
Authorised Signatory		Authorised Signatory	

ANNEXURE 4: DOCUMENT REQUIREMENTS FOR LEGACY DEBTS

Type of Transactions	Supporting Documents
Imports of goods	<ul style="list-style-type: none"> • Bills of Entry (Imports) • NOIC Release orders (fuel) • Current Statement from supplier • Invoice
Imports of Services	<ul style="list-style-type: none"> • Confirmation by auditors of work done • Completed Exchange Control Services Payments Declaration Form ECSPAD • Completion of works certificate
External Loans	<ul style="list-style-type: none"> • Exchange Control Authority under which the external loan was approved/registered • Current statement from lender • Schedule showing loan drawdowns and repayments
Dividends	<ul style="list-style-type: none"> • Audited financial statements for the period in which the dividend is declared • Auditor's certificate certifying the company has enough cash resources to pay the dividend • Board resolution
Disinvestments from Foreign direct investment	<ul style="list-style-type: none"> • Exchange Control Authority Number under which the disinvestment was approved
Disinvestments from portfolio investment	<ul style="list-style-type: none"> • Proof of initial capital investment from offshore • Statement from the custodial bank confirming current balance
Outstanding remittances to international airlines	<ul style="list-style-type: none"> • Bank statement showing current balance
Non-Resident RTGS dollar balances	<ul style="list-style-type: none"> • Exchange Control authority under which the account was opened • Bills of Entry (Imports) confirming supply of goods into the country
Other debts	<ul style="list-style-type: none"> • Relevant supporting documents in the form of invoices and statements