



**EXTRACT FROM EXCHANGE CONTROL DIRECTIVE RV176/2020 DATED 24
AUGUST 2020**

1. Introduction

- 1.1 Reference is made to the Mid-Term Monetary Policy Statement issued by the Governor on 21 August 2020.
- 1.2 In order to bring into effect the foreign exchange measures contained in the Mid-Term Monetary Policy Statement, Authorised Dealers are advised and directed as follows: -

2. SUSTENANCE OF THE FOREIGN EXCHANGE AUCTION SYSTEM

2.1 Standardisation of Export Retention Thresholds

- 2.1.1 The export retention threshold for all exporters will be at a standard level of 70%, with effect from 21 August 2020.
- 2.1.2 Upon receipt of the export proceeds, the balance of 30% should be immediately transferred to the Reserve Bank, in line with current policy, to support the auction system.

2.2 Liquidation Period for Export Receipts

- 2.2.1 The liquidation period for unutilised export receipts has been reviewed from 30 days to 60 days with effect from 21 August 2020.
- 2.2.2 The 30-day liquidation period of unused export receipts has been reviewed upwards to 60 days from the date of receipt of funds.

2.3 Supporting the Foreign Exchange Auction from Domestic Foreign Exchange Resources

- 2.3.1 With effect from 21 August 2020, 20% of the foreign currency receipts of providers of goods and services shall be liquidated at the point of depositing in the Domestic FCAs, at the prevailing auction rate in order to support the foreign exchange auction system from domestic resources. These liquidations shall be transferred to the Reserve Bank daily. The remaining 80% shall be retained indefinitely in the Domestic FCA for own use by the concerned provider of goods or services.

- 2.3.2 For the avoidance of doubt, the 20% portion of the foreign currency receipts of providers of goods and services to be liquidated to the Bank at the point of depositing into the Domestic FCAs, **shall be calculated on the foreign currency receipts net of tax.**
- 2.3.3 Balances in the Domestic FCAs as at 21 August 2020 will not be subjected to the 20% liquidation requirement.
- 2.3.4 The 20% liquidation policy measure on the Domestic FCAs **does not apply** to recipients of free funds such as Embassies, Non-Governmental Organisations, international organisations, churches, individuals, tobacco and cotton growers, Transitory Accounts (including domestic FCAs of fuel companies and airlines), Trust Accounts for law firms and real estate agencies, schools, tertiary institutions and any other non-profit making organisations.

2.4 BUREAUX de CHANGE Foreign Currency Trading Arrangements

- 2.4.1 With immediate effect, the exchange rate spread for *bureaux de change* transactions has been reviewed from the current 3.5% to 5.0% above the prevailing auction rate.
- 2.4.2 In addition, with immediate effect, *bureaux de change* shall be required to sell at the Foreign Exchange Auction at their reserve price, 80% of their consolidated foreign currency balances held every Mondays.

3. FOREIGN EXCHANGE PRICING OF GOODS AND SERVICES

- 3.1 In line with Statutory Instrument 185 of 2020, providers of goods and services are required to display, quote or offer prices for their goods and services in both foreign currency and local currency at the prevailing market exchange rate.
- 3.2 For clarity purposes, the market exchange rate to be applied in the pricing of goods and services shall be the average weighted auction rate with a tolerance level of up to 5% in line with the permitted spread in the interbank market and exchange rate spread for *bureaux de change*.

4. TOLL FREE LINE TO ENFORCE COMPLIANCE WITH AUCTION RATES

- 4.1 The Reserve Bank has noted with concern the rampant malpractices by businesses that are charging for goods and services at parallel market exchange rates, yet they would have accessed foreign currency from the Foreign Exchange Auction or interbank market or *bureaux de change*.
- 4.2 To curb such delinquent behaviour and enforce compliance, the Reserve Bank has established toll free lines (0800 6009 - Telone Lines only; 0808 6770 - Econet Lines only) through which the public or consumers may report such malpractices and other

foreign currency related transgressions. This will assist the Reserve Bank to deal with the reported cases in the interest of the Nation.

5. BUREAUX de CHANGE TRANSACTIONS REPORTING SYSTEM (BDCTRS)

- 5.1 With effect from 1 September 2020, the Reserve Bank will introduce a *Bureaux de Change* Transactions Reporting System (BDCTRS), in order to improve efficiency and effectiveness of the operations of bureaux de change. The BDCTRS is a web-based system through which all *bureaux de change* and money transfer (remittance) transactions shall be reported to the Bank on a real-time basis.
- 5.2 In line with the provisions of Statutory Instrument 104 of 2015, all Authorised Dealers with Limited Authority must be configured to interface with the BDCTRS. In this regard, all *bureaux de change* and money transfer business entities will be required to connect to the system.
- 5.3 Users of the BDCTRS will be trained on how to use the system before rollout.

Please do not hesitate to contact the following or any member of the Exchange Control team if you need further information on the above;

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