



COPY

EXCHANGE CONTROL DIRECTIVE: RQ76/2015

29 April 2015

The Managing Director
Stanbic Bank of Zimbabwe
Stanbic House
59 Samora Machel Avenue
HARARE

Attention: Mr. J. Tapambwa

Dear Sir

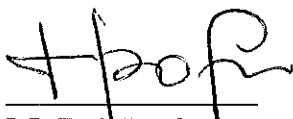
**DIRECTIVE ISSUED IN TERMS OF SECTION 35 (1) OF THE
EXCHANGE CONTROL REGULATIONS STATUTORY INSTRUMENT
109 OF 1996**

1. Consistent with the Reserve Bank's 'Back to Basics' strategy as enunciated in the Governor's July 2014 Monetary Policy Statement, Exchange Control is reviewing its processes and procedures with a view of enhancing operational efficiency in the administration of cross border transactions.
2. This gradual re-orientation exercise, embraces the overriding objective to "Facilitate Business through Enhanced Stakeholder Compliance and Market Discipline". The re-orientation of Exchange Control operations is also aimed at contributing to the improvement of ease of doing business in the country.
3. With the country having successfully adopted the multicurrency system in 2009, there has been need for the continuous re-alignment of the Exchange Control framework to foster the simple and transparent administration of cross border transactions in a liberalised multi-currency environment.



4. In view of this, Exchange Control has with immediate effect issued the attached ECOGAD4/2015 to guide Authorised Dealers with the new administrative arrangements relating to the:-
- a) Re-designation of FCAs
 - b) Exchange Control Accounting and Monitoring Framework
 - c) Administration and Facilitation of Imports
 - d) Administration and Facilitation of Exports
 - e) Communication of Exchange Control Guidelines to Corporate Clients.
5. Consistent with the need to simplify compliance by Authorised Dealers, Exchange Control has provided the compliance parameters for each of these aforesaid administrative areas. This Compliance Framework contained herein shall form the basis for enforcing compliance by Authorised Dealers in terms of the Exchange Control Compliance Rating System (EXCORS).
6. Please be guided accordingly.

Yours faithfully



M. B. Mpofo

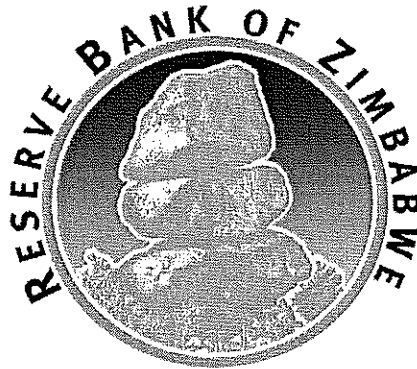
Director

EXCHANGE CONTROL DIVISION

Cc: Mr. G. Gondongwe, Exchange Control Head
Mr. M. Muchenje, Treasury Department

ECOGAD4/2015

FOR USE BY AUTHORISED DEALERS AND THE PUBLIC



**EXCHANGE CONTROL OPERATIONAL
GUIDELINES AND COMPLIANCE
FRAMEWORK TO AUTHORISED DEALERS**

On

**Re-designation of Foreign Currency Accounts and a
Review of other Exchange Control Measures**

1 May 2015

This ECOGAD4/2015 is issued as an addendum to Exchange Control Directive: RQ 76 dated 1 May 2015

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ABBREVIATIONS

ADLA	Authorised Dealers with Limited Authority
CD1	Customs Declaration Form1
CD3	Customs Declaration Form3
CDD	Customer Due Diligence
CEBAS	Computerised Exchange Control Batch Application System
CEPECS	Computerised Exchange Control Exports System
CENAMS	Computerized Exchange Control Nostro Accounting and Monitoring System
CFCA	Corporate Foreign Currency Account
EC – 2L	Exchange Control Form 2L
ECOGAD	Exchange Control Guidelines to Authorised Dealers
ELECRC	External Loans and Exchange Control Review Committee
EXCORS	Exchange Control Compliance Rating System
ECRC	Exchange Control Reference Codes
FCA	Foreign Currency Account
GSD	General Services Declaration Form
IFCA	Individual Foreign Currency Account
KYC	Know Your Customer
NGOs	Non-Governmental Organisations
NPISHs	Non-Profit making Institutions Serving Households
NON-EXP	Non-Exporter
SECCORS	Standard Exchange Control Coding References
TT	Telegraphic Transfer
EXP	Exporter
ZIMRA	Zimbabwe Revenue Authority

1 INTRODUCTION AND BACKGROUND

- 1.1 In line with the Reserve Bank's 'Back to Basics' strategy as announced by the Governor in the July 2014 Monetary Policy Statement, Exchange Control is re-orienting its operational framework and processes in order to "Facilitate Business through Enhanced Stakeholder Compliance and Market Discipline". The re-orientation of Exchange Control operations is also aimed at contributing to the improvement of ease of doing business in the country.
- 1.2 The ushering in of the multi-currency framework and liberalisation of Current Account transactions necessitated the establishment of enhanced monitoring mechanisms that were aimed at ensuring that Exchange Control's accounting role was strengthened in a market characterised by the use of multiple currencies.
- 1.3 With the country having successfully adopted the multicurrency system in 2009, there has been need for the continuous rea-alignment of the Exchange Control framework to foster the simple and transparent administration of crossborder transactions in a liberalized multi-currency environment.
- 1.4 In view of this, Exchange Control has with immediate effect issued the attached ECOGAD4/2015 to guide Authorised Dealers with the new administrative arrangements relating to the:-

- a) Re-designation of FCAs
- b) Exchange Control Accounting and Monitoring Framework
- c) Administration and Facilitation of Imports
- d) Administration and Facilitation of Exports
- e) Communication of Exchange Control Guidelines to Corporate Clients.

1.5 Consistent with the need to simplify compliance by Authorised Dealers, Exchange Control has provided the compliance parameters for each of these aforesaid administrative areas. This Compliance Framework contained herein shall form the basis for enforcing compliance by Authorised Dealers in terms of the Exchange Control Compliance Rating System (EXCORS).

1.6 Any enquiries relating to these Guidelines should be addressed to:

The Director
Exchange Control Division
Reserve Bank of Zimbabwe
80 Samora Machel Avenue
P. O. Box 1283
HARARE

Email: bmpofu@rbz.co.zw

Tel: +263(04) 703000: + 263 (04) 703716

2 RE-DESIGNATION OF FCAs

2.1 Consistent with the need to ensure full accounting of foreign currency transactions and cognisant of the nine prescribed currencies, Exchange Control designated various Foreign Currency Accounts (FCAs) based on the **Source of Funds** concept. Under this framework, Authorised Dealers were allowed to freely open and operate FCAs on behalf of its customers.

2.2 The designation of the FCAs, therefore, was structured as follows:-

- i. FCA (Domestic)
- ii. FCA (Exports)
- iii. FCA (Individuals)
- iv. FCA (NGOs)
- v. FCA (Banks)
- vi. FCA (Offshore Loans)
- vii. FCA (Transitory)
- viii. FCA (Non-Resident Transferable Account).

2.3 Account Holder Concept

2.3.1 Authorised Dealers are advised that, pursuant to the need to contribute to the ease of doing business, Exchange Control carried out a situational analysis of the current FCA framework. Observations were that the designation of FCAs using the Source of Funds Concept was becoming administratively cumbersome and costly.

2.3.2 In order to reduce the administrative burden on Authorized Dealers and account holders whilst enhancing monitoring, Exchange Control is therefore, transforming the existing FCA framework that is based on **Source of Funds Concept** into a new FCA framework based on the **Account Holder Concept**.

2.3.3 Under the new framework, Exchange Control has re-designated FCAs with a view of providing operational simplicity, convenience to the account holder and reduction in costs.

2.3.4 Exchange Control has, with immediate effect, re-designated and consolidated the FCAs using the **Account Holder Concept** into the following two (2) categories:-

- i. Corporate FCAs (CFCAs); and**
- ii. Individual FCAs (IFCAs).**

2.3.5 Authorised Dealers shall continue to use the following prescribed currencies in the opening, operation and management of Corporate and Individual FCAs:-

- i. United States Dollar
- ii. British Pound
- iii. South African Rand
- iv. Euro
- v. Botswana Pula
- vi. Chinese Yuan

- vii. Indian Rupee
- viii. Japanese Yen
- ix. Australian Dollar.

2.3.6 Authorised Dealers shall ensure that the consolidation of FCAs in compliance with the re-designated “Account Holder Concept” is completed within **90 days (1 May – 31 July 2015)**.

3 CATEGORIES OF FCAs UNDER THE RE-DESIGNATED FRAMEWORK

3.1 Individual Foreign Currency Accounts (IFCAs)

3.1.1 Policy and Administrative Guideline

3.1.1.1 Authorised Dealers are advised that Individual Foreign Currency Accounts shall be opened and operated by both resident and non-resident individuals.

3.1.1.2 Non-Governmental Organisations, Embassies and International Organisations qualify to open “individual” accounts in view of the “free fund” status accorded to their funds.

3.1.2 Compliance Framework Parameters

Resident Individuals

- 3.1.2.1 Authorised Dealers shall ensure that Individual FCAs shall be opened by Non-Profit making Institutions Serving Households (NPISHs)¹, Non-Governmental Organisations (NGOs), Embassies, International Organisations, or any individual in their personal capacity.
- 3.1.2.2 The IFCA's shall be funded from individual or personal earnings such as wages, salaries, donations, consultancy fees, diaspora remittances or other services offered by clients in their individual capacity, including free funds for NPISHs, NGOs, Embassies and International Organisations.
- 3.1.2.3 Account holders are free to transact from this account without any Exchange Control requirements. Funds held in these accounts are freely remittable, with no prior Exchange Control approval required.
- 3.1.2.4 Cross border payments from IFCA's shall continue to be reported by Authorised Dealers on CEBAS for statistical reporting purposes.
- 3.1.2.5 Remittance of proceeds from sale of immovable property shall, however, continue to require prior Exchange Control approval as specified in ECOGAD 1 of 1 September 2014.

¹ NPISHs includes organisations that provide charity to households such as churches, etc

3.1.2.6 Consistent with anti-money laundering principles, Authorised Dealers are however, expected to routinely exercise the Know Your Customer (KYC) and Customer Due Diligence (CDD) on the administration of these accounts in order to address possible cases of money laundering and fraudulent inter-account transfers.

Non-Resident Individuals

3.1.2.7 Authorised Dealers shall open IFCA's on behalf of non-resident clients, under advice to Exchange Control.

3.1.2.8 Individuals who visit or come to Zimbabwe on temporary visits or to settle and work in Zimbabwe for a period less than 12 months, may open an IFCA for purposes of meeting both local and offshore expenses. Funds held in these accounts are freely remittable².

3.1.2.9 Authorised Dealers shall ensure that Exchange Control approval has been sought by non-resident individuals who wish to access loans, overdrafts or guarantees.

3.1.2.10 Authorised Dealers shall report all transactions managed through these accounts to Exchange Control on a monthly basis.

² This Exchange Control requirement shall not apply to non-resident individuals who have been granted permanent resident status, who shall be treated as "residents".

3.2 Corporate Foreign Currency Accounts (CFCA)

3.2.1 Policy and Administrative Guideline

3.2.1.1 Corporate Foreign Currency Accounts shall be opened by resident or non-resident corporates.

3.2.1.2 Authorised Dealers are required to designate the CFCAs opened by corporates as Corporate FCA (Resident) and Corporate FCA (Non-Resident).

3.2.2 Compliance Framework Parameters

Resident Corporates

3.2.2.1 These accounts shall be funded from export proceeds, local or offshore loans, **commercial activities** within Zimbabwe, local or foreign investments and any other income accruing to the corporate. Corporates shall be allowed to open CFCAs with a bank or different banks to cover their specific business requirements, as the corporate sees it fit e.g. Salaries and Wages accounts.

3.2.2.2 Funds held in these accounts shall be used to meet any corporate transactions locally or offshore. However, inter-transfers to individual FCAs shall only be on account of payments such as dividends, profit sharing and individual benefits.

3.2.2.3 Cross-border payments or remittances shall, however, be made in line with existing Exchange Control requirements.

3.2.2.4 Consistent with anti-money laundering principles, banks are, however, expected to routinely exercise the Know Your Customer (KYC) and Customer Due Diligence (CDD) in the opening and operation of these accounts. Upon consolidation of existing FCAs, the Authorised Dealer shall not unnecessarily request new documentation for the consolidated CFCA.

Non-Resident Corporates

3.2.2.5 Authorised Dealers are advised that Non-Resident Corporates providing goods and services in Zimbabwe shall open Corporate FCA (Non-Resident)³, for purposes of holding funds in transit whose destination is not yet known or billing is yet to be done.

3.2.2.6 Non-resident corporates intending to invest in Zimbabwe but are yet to conclude the investment transaction, shall open Corporate FCAs (Non-Resident) for purposes of holding their investment proceeds.

3.2.2.7 In order to encourage capital inflows and allow foreign companies to bank in Zimbabwe, Authorised Dealers are advised that, after meeting the proper CDD requirements, any other Non-Resident Corporate that is temporarily in Zimbabwe for any other reason and would want to open

³ For Exchange Control purposes, these will be treated as Non-Resident Transferable Accounts.

an account temporarily, shall be treated for Exchange Control purposes under this category.

3.3 Offshore and Evidence Accounts

3.3.1 Policy and Administrative Guideline

3.3.1.1 The opening of offshore evidence/collection/escrow or any type of offshore account shall continue to require specific Exchange Control approval.

3.3.2 Compliance Framework Parameters

3.3.2.1 Prior Exchange Control approval is required for the opening and operation of offshore evidence/collection/escrow or any type of offshore account. Each case will be considered on its own merit.

3.3.2.2 The administration of these accounts shall be in terms of Exchange Control conditions of approval. These conditions are for administrative purposes and to ensure that funds held in these accounts are not abused.

3.3.2.3 The following operational modalities apply to the administration of these accounts:-

- i. Only exporters with ELECRC approved lines of credit and whose terms and conditions are approved by ELECRC are eligible for the opening of an Evidence Account.

- ii. All funds credited into these accounts are regarded as equivalent of draw-downs made on the relevant offshore loans.

3.4 Nostro Accounts (Correspondent Banks)

3.4.1 Policy and Administrative Guidelines

3.4.1.1 Authorised Dealers are allowed to open and maintain any number of Nostro Accounts in any of the prescribed currencies with correspondent banks of their choice for the management of their FCA balances in conformity with international prudential regulations.

3.4.2 Compliance Framework Parameters

3.4.2.1 Authorised Dealers shall submit to Exchange Control, documentation on the opening of Nostro Accounts within 7 days of opening such accounts.

3.4.2.2 The opening of Nostro Accounts in any other currency other than the prescribed currencies, shall require prior Exchange Control approval.

4 EXCHANGE CONTROL ACCOUNTING AND MONITORING FRAMEWORK

4.1 Reporting of Cross Border Payments in CEBAS

4.1.1 Policy and Administrative Guideline

4.1.1.1 In line with the new Exchange Control framework for the opening, operation and management of FCAs, the CEBAS system shall be accordingly enhanced to facilitate reporting of cross border payments in terms of Account Holder type i.e. **Corporate FCA** and **Individual FCA** and also in terms of **Exporter** or **Non-Exporter**.

4.1.2 Compliance Framework Parameter

4.1.2.1 Authorised Dealers shall ensure proper categorisation of transactions when uploading on CEBAS.

4.2 Accounting of Export Proceeds

4.2.1 Policy and Administrative Guideline

4.2.1.1 Export documentation shall be acquitted within 90 days of export or when contractually due from proceeds received from offshore.

4.2.2 Compliance Framework Parameters

4.2.2.1 Consistent with existing policy, Authorised Dealers shall continue to apply export proceeds to respective export documentation such as Form CD1/CD3, before crediting proceeds into a Corporate FCA.

4.2.2.2 Proof of payment in the form of Telegraphic Transfer (TT), Deposit Slip, Mail Transfer, SWIFT message or Bank draft, shall continue to be required for acquittal of export documentation.

4.2.2.3 The cash deposit slip [for cash export proceeds deposited into FCA (Corporate)], and ZIMRA Form 47, where the funds were received from outside the country in cash form, are required for the acquittal of the respective export documentation.

4.3 Computerized Exchange Control Nostro Accounting and Monitoring System (CENAMS)

4.3.1.1 To improve on compliance with Nostro accounting requirements, the reporting on CENAMS system will be accordingly enhanced, taking into account the new Exchange Control framework on the management of FCAs. Authorised Dealers shall be advised of the new reporting framework in due course.

4.4 Exchange Control Compliance Rating System (EXCORS)

4.4.1.1 Authorised Dealers are further advised that the application of EXCORS for rating banks on operational efficiency and effectiveness, shall be enhanced accordingly.

4.5 Exchange Control Returns

4.5.1 Policy and Administrative Guideline

- 4.5.1.1 Authorised Dealers are advised that the EC Form EXP and EC Form NON-EXP have now been consolidated into a single Exchange Control Return known as the **EC Form Foreign Payments** (*Appendix 1*).
- 4.5.1.2 Authorised Dealers are advised that, in order to cater for the combined Foreign Currency Accounts, the EC Form 1 will be adjusted accordingly as per the attachment (*Appendix 2*).
- 4.5.1.3 All other Exchange Control Returns namely; EC Form 2L, EC Form MTW and the State Revenue Return shall continue to be submitted to Exchange Control as per standing requirements.

4.5.2 Compliance Framework Parameters

- 4.5.2.1 Authorised Dealers shall continue to maintain a clear audit trail of funds that are received from offshore (i.e loans, export proceeds, investments etc) to assist in establishing the magnitude of funds mobilised from offshore.
- 4.5.2.2 Authorised Dealers shall also continue to use relevant **Standard Exchange Control Coding References (SECCORS)** in the CFCA for

each cross border receipt and payment for ease of monitoring. (See attached SECCORS- *Appendix 3*).

4.5.2.3 Authorised Dealers are expected to continue to apply proper prudential risk management to ensure full accountability and transparency in the administration of FCAs.

5 ADMINISTRATION AND FACILITATION OF IMPORTS

5.1 Review and Clarification of the Validity Period of Pro-forma Invoices

5.1.1 Policy and Administrative Guideline

5.1.1.1 Following representations from importers regarding the validity period of 14 days for pro-forma invoices, and consistent with the Reserve Bank's transformative goal, the validity period of pro-forma invoices to be submitted as import documentation requirements has been increased from 14 days to 30 days with immediate effect.

5.1.2 Compliance Framework Parameters

5.1.2.1 Where part payments are involved, the Authorised Dealer shall continue to use the pro-forma invoice initially presented regardless of the expiration of the 30-day window period until the whole amount has been fully settled.

5.1.2.2 Where the supplier of goods clearly states on the pro-forma invoice, the terms of the payment which may be in excess of the 30-day window period, the Authorised Dealer shall be guided by the validity stated on that pro-forma invoice. **For example, if the pro-forma invoice stipulates that payment must be made within 35 days from the date of issuing the pro-forma invoice and on day 31, the importer presents the invoice for payment, the Authorised Dealer must be guided by the 35-day period specified by the supplier.**

5.1.2.3 Exchange Control shall continue to verify these documents during its routine on-site inspections.

5.2 Advance Payment Threshold Excludes Strategic Imports

5.2.1 Policy Administrative Guideline

5.2.1.1 Reference is also made to Exchange Control Directive RQ39 dated 13 February 2015 wherein Authorised Dealers were advised of the need to monitor cross border payments with the view of minimizing illicit financial flows under the guise of imports.

5.2.1.2 Authorised Dealers are advised that, in order to “Facilitate Business through Enhanced Compliance and Market Discipline”, the cash limit of US\$100,000.00 on advance payments for goods shall also not apply to capital goods and raw materials (intermediate goods), in addition to special strategic foreign payments, such as fuel, electricity and Government transactions.

5.2.1.3 This effectively means that the 30% down payment on advance payment shall no longer apply for capital goods.

5.2.2 Compliance Framework Parameters

5.2.2.1 Authorised Dealers shall comply with the set parameters and any payments in excess of these limits shall require prior Exchange Control approval.

6 ADMINISTRATION AND FACILITATION OF EXPORTS

6.1 Accounting for Export Earnings by Freight Brokers

6.1.1 Policy and Administrative Guideline

6.1.1.1 Authorised Dealers are advised to take note that a **freight broker** or a transportation broker, directs the logistics of freight movement from a point of origin to the final destination. Through the use of land, air, and sea carriers, the freight broker searches and arranges for the most efficient methods of moving goods. The freight broker is paid for such services by the consignee.

6.1.2 Compliance Framework Parameter

6.1.2.1 Authorised Dealers are reminded that freight brokers who are contracted by non-residents, to facilitate transportation of goods from a point of

origin to the final destination, are deemed to be exporters of services, and are therefore, required to declare their earnings on the General Services Declaration Form (Form GSD).

6.2 Accounting for Export Earnings by Freight Forwarders

6.2.1 Policy and Administrative Framework

6.2.1.1 Authorised Dealers are also advised to take note that a **freight forwarder** directs the logistics of freight movement from a point of origin to the final destination, and takes possession of the items being shipped, consolidates smaller shipments, and arranges for the transportation of the consolidated shipments. A freight forwarder is paid for such services by the consignee.

6.2.2 Compliance Framework Parameters

6.2.2.1 Authorised Dealers are reminded that freight forwarders who are contracted by non-residents to facilitate transportation of goods from a point of origin to the final destination, are deemed to be exporters of services, and are therefore, required to declare their earnings on the General Services Declaration Form (Form GSD).

6.3 Efficient Processing of Forms CD1

6.3.1 Policy and Administrative Guideline

6.3.1.1 As part of facilitating business through simplification of Exchange Control processes, Authorised Dealers are advised that in order to

expedite the processing of Forms CD1 for those exports that require prior Exchange Control approval, such as Repair and Return, Banks shall after receiving written approval for exportation of the goods, raise the respective Forms CD1 in CEPECS which submission shall be considered automatically approved.

6.3.2 Compliance Framework Parameters

6.3.2.1 Authorised Dealers, therefore, shall simply quote the relevant Exchange Control Authority number, date issued, and the expiry date, in Section 22 of the respective Form CD1.

7 COMMUNICATION OF EXCHANGE CONTROL GUIDELINES TO CORPORATE CLIENTS

7.1.1 Policy and Administrative Guideline

7.1.1.1 Reference is made to Exchange Control Directive RE411 dated 1 April 2003 wherein Authorised Dealers were advised **not** to forward directly to their clients, Exchange Control correspondence on operational modalities and guidelines for specific policy decisions.

7.1.1.2 **In the spirit of transparency and enhanced communication, Authorised Dealers shall, with immediate effect distribute directly to their corporate clients copies of Exchange Control Guidelines, Directives, Orders and Circulars.**

7.1.2 Compliance Framework Parameters

7.1.2.1 Authorised Dealers shall ensure that Exchange Control Guidelines, Directives, Orders and Circulars are distributed to their corporate clients within 24 hours of issuance.

8 CONCLUSION

8.1 Authorised Dealers are expected to embrace the efforts by Exchange Control in re-orientation of its operational framework and administrative processes by continual engagement with Exchange Control to facilitate business and foster market discipline and compliance. Please be guided accordingly.

EXCHANGE CONTROL DIVISION

1 MAY 2015