

# ECOGAD8/2016

**FOR USE BY AUTHORISED DEALERS AND THE PUBLIC**



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

**Measures and Interventions to Deal with  
the Current Cash Shortages whilst simultaneously stabilizing and  
stimulating the economy**

**5 MAY 2016**

This ECOGAD8/2016 is issued as an addendum to **Exchange Control Directive RR86** dated 05 May 2016 as part of the policy and administrative measures to deal with cash shortages whilst simultaneously stabilising and stimulating the economy as announced in a Press Statement by the by the Governor, Dr. J. P. Mangudya on 4 May 2016.

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## 1. INTRODUCTION

- 1.1. Following the Monetary Policy measures announced by the Governor, Dr. J.P. Mangudya on 4 May 2016 to deal with cash shortages whilst simultaneously stabilising and stimulating the economy, Exchange Control is issuing operational modalities outlined in this ECOGAD8/2016 for ease of implementation by Authorised Dealers.

## 2. RESTORING AND PROMOTING THE MULTI-CURRENCY SYSTEM

### 2.1. Foreign Exchange Stabilisation and Incentive Support Facility

- 2.1.1. The Reserve Bank has established a **USD200 million** foreign exchange and export incentive facility which is supported by the African Export-Import Bank (Afreximbank) to provide cushion on the high demand for foreign exchange and to provide an incentive facility of up to 5% on all foreign exchange receipts, including tobacco and gold sale proceeds.
- 2.1.2. In order to mitigate against possible abuse of the facility through capital flight, this facility shall be granted to qualifying foreign exchange earners in bond coins and notes which shall continue to operate alongside the currencies within the multi-currency basket and at par with the USD.
- 2.1.3. The Zimbabwe Bond Notes of denominations of USD2, USD5, USD10 and USD20 shall, therefore be introduced in future, as an extension of the current family of bond coins, for ease of portability in view of the size of the **USD200 million** backed facility. The facility shall also be used to discount trade related paper in order to provide liquidity for business trading operations.

### 2.2. Foreign Currency earners of USD denominated proceeds

- 2.2.1. Authorised Dealers are advised that, in order to restore and promote the widespread usage of currencies in the multi-currency basket, with effect from 5 May 2016, 40% of all **new** USD foreign exchange receipts from export of goods and services, including proceeds from the sale of tobacco and gold, shall be converted by the

Reserve Bank at the ruling or prevailing market exchange rate to Rands and 10% shall be converted in the same manner to Euros.

- 2.2.2. The remaining 50% of all new USD foreign exchange receipts from export of goods and services, including tobacco and gold sale proceeds, shall be credited into the exporter's or foreign currency earner's FCA denominated in United States Dollars (USD).
- 2.2.3. Authorised Dealers are advised that all **new** USD foreign exchange receipts from export of goods and services, including tobacco and gold sale proceeds, shall be entitled to an export incentive of up to 5% which shall be credited into the exporter's or foreign currency earner's FCA denominated in USD.
- 2.2.4. Large mining exporters (resource based), shall be entitled to 2.5% export incentive scheme provided that they do not have overdue export proceeds. Please refer to the attached list of approved mining exporters eligible for 2.5% export incentive scheme (**See Appendix 1**). Other mining exporters or foreign currency earner not on the list but in the resource based sector, shall be entitled to the 5% export incentive scheme as any other exporter provided that they do not have overdue export proceeds.

### **Operational Modalities**

- i. Authorised Dealers shall on receipt of the 100% USD denominated export proceeds, immediately credit 50% of the proceeds into the exporter's or foreign currency earner's FCA in USD;
- ii. 50% of the proceeds shall be immediately sold to the Reserve Bank for exchange with 40% in ZAR and 10% in EUR at the prevailing market exchange rate.
- iii. The Reserve Bank shall credit the Authorised Dealer's RTGS Account with the respective ZAR and Euro amounts on same day value.
- iv. The Authorised Dealer shall, at the time of selling the 50% USD export receipts to the Reserve Bank, declare the 2.5% and 5% export incentive value to be awarded to the

foreign currency earner by the Reserve Bank based on total foreign currency receipts;  
and

- v. The Reserve Bank shall immediately, credit the 2.5% and 5% export incentive to the Authorised Dealer for crediting into the respective exporter's or foreign currency earner's FCA denominated in USD.

### **2.3. Exporters receiving ZAR or EUR denominated proceeds**

2.3.1. Where the exporter's foreign currency earnings based on Form CD1 acquittals are denominated in ZAR or EUR, such proceeds shall be credited 100% into the respective exporter's or foreign currency earner's ZAR and EUR Corporate FCA. The 5% export incentive paid through Zimbabwe Bond Notes to be deposited into the USD FCA shall also apply to such exporters on their foreign currency earnings.

2.3.2. The Monetary Authorities encourage exporters who export goods and services to countries whose currencies are part of the multi-currency to receive their export proceeds in those currencies.

### **2.4. Opening of Foreign Currency Accounts for all Foreign Currency Earners**

2.4.1. Authorised Dealers are advised that in terms of Exchange Control regulations, it is a requirement that all exporters be registered with Reserve Bank and have foreign currency accounts held with the Authorised Dealer to facilitate receipt of their respective export proceeds.

2.4.2. To further promote financial inclusion and facilitate implementation of the 5% export incentive scheme to small-scale foreign currency earners, who are not direct exporters (such as tobacco and gold producers), Authorised Dealers shall open FCAs for such customers.

2.4.3. Exporters with overdue export receipts and are already flagged by Exchange Control for non-compliance, shall **not** be eligible for the 5% export incentive denominated in the Zimbabwe Bond Note but deposited into the USD denominated FCA. In this regard,


Authorised Dealers are required to use the flagging in the **CEPECS** to determine the exporter's eligibility in the completion of the **EC Form – Foreign Currency Receipts** specified in para (2.5) below.

- 2.4.4. This framework shall not apply to Diaspora remittances, and non-governmental organisations, where such receipts shall continue to be credited into their FCAs where Diaspora payouts and utilisation shall continue to be in the recipient's currency of choice as free funds in line with existing policy.
- 2.4.5. In addition, foreign investment flows and external loan disbursements shall not benefit from the export incentive scheme, and shall not be subject to the above-mentioned apportionment criteria.
- 2.4.6. For purposes of clarity, all existing FCAs (individuals and corporates) shall remain as they are, and shall not be apportioned as this policy only applies to new export earnings as from 5 May 2016.
- 2.4.7. For avoidance of doubt, the Zimbabwe Bond Notes and Coins to be paid as an export incentive are backed by a USD Denominated Facility indicated in para (2) above and shall be deposited into the exporter's or foreign currency earner's USD denominated account. The two mediums of exchange (USD and Zimbabwe Bond Notes) are fungible and, are therefore, tradable at par value.

## **2.5. Daily Declaration by Authorised Dealers of Foreign Currency Earnings**

- 2.5.1. Authorised Dealers shall be required to declare, on a daily basis, to Exchange Control by 1000hrs every day, foreign currency earnings of the previous day on the **EC-Form Foreign Currency Earnings**. The declaration made by the Authorised Dealer shall clearly indicate the appropriate apportioning of the foreign currency earnings consistent with arrangements detailed in para (2.2) above.

**Figure 1: Specimen EC-Form Foreign Currency Earnings**

EC FORM - FOREIGN CURRENCY RECEIPTS							
NAME OF BANK							
FINANCIAL YEAR:							
DECLARATION DATE:							
							
Exporter/ Foreign Currency Earner	Sector	Total Foreign Currency Earned or CD1/CD3/PTS1/GSD/ TRAS2 Acquitted (USD)	50% USD retained in Foreign currency earners FCA	40% USD sold to RBZ for ZAR	10% USD sold to RBZ for EUR	5% Export Incentive (Non- resource Sectors)	2.5% Export Incentive (Resource Sectors)
ABC Tobacco Grower	Agriculture	1,000.00	500.00	400.00	100.00	50.00	
XYZ Gold Producer	Mining (Small scale)	5,000.00	2,500.00	2,000.00	500.00	250.00	
DEF Exporter	Manufacturing	10,000.00	5,000.00	4,000.00	1,000.00	500.00	
RST Platinum	Mining (Large Scale)	10,000,000.00	5,000,000.00	4,000,000.00	1,000,000.00		250,000.00
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
			-	-	-	-	-
<b>TOTAL</b>		<b>10,016,000.00</b>	<b>5,008,000.00</b>	<b>4,006,400.00</b>	<b>1,001,600.00</b>	<b>800.00</b>	<b>250,000.00</b>
*Conversion shall be by the Reserve Bank at the official exchange rate ruling at the time of dealing							
<p><b>DECLARATION BY AUTHORISED DEALER:</b> 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>							
<p>_____                      Authorised Signatory</p>				<p>_____                      Authorised Signatory</p>			

**NB:** Figures contained in this table are for demonstration purposes only for ease of reference by Authorised Dealers

2.5.2. This EC Form Foreign Currency Earnings shall be forwarded to:-

- i. [bmpofu@rbz.co.zw](mailto:bmpofu@rbz.co.zw)
- ii. [asaburi@rbz.co.zw](mailto:asaburi@rbz.co.zw)
- iii. [omasiwa@rbz.co.zw](mailto:omasiwa@rbz.co.zw)
- iv. [mmurahwa@rbz.co.zw](mailto:mmurahwa@rbz.co.zw)
- v. [tchitauro@rbz.co.zw](mailto:tchitauro@rbz.co.zw)
- vi. [ematiza@rbz.co.zw](mailto:ematiza@rbz.co.zw)
- vii. [vmuzari@rbz.co.zw](mailto:vmuzari@rbz.co.zw)

### 3. EFFICIENT AND PRODUCTIVE UTILISATION OF FOREIGN EXCHANGE

#### 3.1. Foreign Exchange Priority List Guideline

3.1.1. In order to promote efficient utilisation of foreign exchange and to re-orient import demand towards productive uses, the Reserve Bank and the Business Council as represented by the Confederation of Zimbabwe Industries (CZI), Zimbabwe National Chamber of Commerce (ZNCC), and the Bankers Association of Zimbabwe (BAZ) have come up with the following foreign exchange priority list to guide banks in the distribution of foreign currency towards competing demands.

3.1.2. Authorised Dealers are therefore, directed to comply with the fore-going **Foreign Exchange Priority List Guideline** in the execution of all foreign payments.

**Table 1: Priority List for Foreign Payments**

PRIORITY LEVEL	FOREIGN CURRENCY PAYMENTS CATEGORY
<p><b>Priority One (HIGH)</b></p>	<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;</li> <li>iv. Repayments of offshore lines of credit procured to fund productive activities;</li> <li>v. Payments for services <b>not</b> available in Zimbabwe;</li> <li>vi. Foreign investment (Capital disinvestments, profits and dividends).</li> </ul>
<p><b>Priority Two (MEDIUM)</b></p>	<ul style="list-style-type: none"> <li>i. Bank borrowing clients in the productive sector who engage in critical and strategic imports.</li> </ul>
<p><b>Priority Three (LOW)</b></p>	<ul style="list-style-type: none"> <li>i. University and college fees.</li> <li>ii. Cash depositing clients in the retail and wholesale service industry. The customers generate cash which can either be recycled for local use or repatriated to replenish Nostro accounts.</li> <li>iii. Other borrowing clients who have engaged in the importation of non-strategic goods.</li> </ul>
<p><b>NOT PRIORITY</b></p>	<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> <li>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.</li> <li>v. Payments for services available in Zimbabwe</li> <li>vi. Donations</li> </ul>




- 3.1.3. This policy stance will ensure that the available foreign exchange resources are efficiently appropriated towards those sectors of the economy with capacity to generate the much needed liquidity to fund the economy's foreign payments. This will help reduce the country's import bill, and at the same time enhancing production across all sectors of the economy, and promoting local content requirements.
- 3.1.4. Consistent with the need to ensure the widespread use of other currencies under the current multicurrency system, the Reserve Bank encourages that payments for various imports of goods and services, are done using the currency of origin of imports for those currencies under the multi-currency system.

### **3.2. Weekly Declaration by Authorised Dealers of Pipeline Foreign Payments**

- 3.2.1. Reference is made to Exchange Control Directive RR74 dated 15 April 2016, wherein Authorised Dealers were advised of the need to report to Exchange Control on a weekly basis, all pipeline payments.
- 3.2.2. Following the requirement for appropriation of foreign currency in line with the Foreign Exchange Priority List Guideline outlined in para 3 above, Authorised Dealers are required to now declare to Exchange Control all pipeline payments in the format specified in EC Form – Pipeline External Payments (ECPEP) in Figure 2 below.
- 3.2.3. Authorised Dealers shall submit ECPEP to Exchange Control on a weekly basis by 1000hrs every Monday, all pipeline external payments position as at Friday of the previous week.

**Figure 2: EC Form - Pipeline External Payments (ECPEP)**



**EC FORM - PIPELINE EXTERNAL PAYMENTS (ECPEP)**

NAME OF BANK:

FINANCIAL YEAR:

START DATE:

END DATE:

Name of Importer	Sector as per CEBAS Coding	Exporter(E)/ Non-Exporter(NE)	Supplier	Country of Location	Amount (USD)	Purpose as per CEBAS Coding (Transaction Type)	Transaction Description	Foreign Payment Priority Level (Priority 1 - High, Priority 2 - Medium, Priority 3 - Low & No Priority - NP)	Date of Request for TT Payment	No of days taken without effecting payment
DUMMY IMPORTER	MANUFACTURING	E	SASOL	SOUTH AFRICA	1,000.00	INTERMEDIATE GOODS	FERTILISER	HIGH	05-Apr-16	1
XYZ LIMITED	RETAIL & DISTRIBUTION	NE	PICK AND PAY SA	SOUTH AFRICA	500.00	FOOD	VEGETABLES	NP	05-Mar-16	2
EDF TRUCKS	MINING	E	SIGN MOTORS	JAPAN	10,000.00	MOTOR VEHICLE	HAULAGE TRUCK	HIGH	01-Mar-16	6
<b>TOTAL</b>					<b>11,500.00</b>					

**TT = Telegraphic Transfer**

**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

3.2.4. This EC Form Foreign Currency Earnings shall be forwarded to:-

- i. [bmpofu@rbz.co.zw](mailto:bmpofu@rbz.co.zw)
- ii. [ckadungure@rbz.co.zw](mailto:ckadungure@rbz.co.zw)
- iii. [wkutiya@rbz.co.zw](mailto:wkutiya@rbz.co.zw)
- iv. [tmukura@rbz.co.zw](mailto:tmukura@rbz.co.zw)

## 4. CASH EXPORTS AND WITHDRAWAL LIMITS FOR INDIVIDUALS

### 4.1. Cash Exports

4.1.1. Authorised Dealers are advised that with immediate effect, the amount of cash that can be exported in baggage or on person, has been reviewed downwards from USD5,000 to the following limits:-

**Table 2: Cash Exports by Individuals by Denomination**

	<b>USD</b>	<b>EUR</b>	<b>ZAR</b>
<b>Amount</b>	1,000	1,000	20,000

4.1.2. An individual can either carry USD1,000, or EUR1,000 or ZAR20,000 per visit. If the traveller wants to export cash in the combination of all currencies, the Authorised Dealer shall ensure that the cash exported does not exceed the equivalence of USD1,000 per exit.

4.1.3. Where the individual intends to export cash above these stipulated thresholds, a specific approval shall be obtained from Exchange Control. The relevant Statutory Instrument will be amended to reflect this new policy position in due course.

#### **4.2. Promoting use of international payments systems for imports**

4.2.1. In order to facilitate declaration of import payments through the banking system, all imports above the USD5,000 threshold shall be processed through normal banking channels to promote use of the international payments system. This requirement is expected to ease pressure on the demand for cash for payments of imports.

#### **4.3. Use of International Credit Cards by Individuals and Corporates**

4.3.1. Authorised Dealers are advised that in order to ensure the transparent use and avoid abuse of international credit cards, a limit of USD10,000 or the equivalence in any of the multi-currencies shall be allowed per external visit. Authorised Dealers shall ensure that clients with such international credit cards comply with these requirements.

#### **4.4. Cash Withdrawal Limits for Individuals**

4.4.1. Authorised Dealers are advised in order to continue to be compliant with international best practice, with immediate effect, cash withdrawal limits shall be as follows:-

**Table 3: Daily Cash Withdrawal Limits for Individuals**

<b>Mode of Cash Withdrawal</b>	<b>USD</b>	<b>EUR</b>	<b>ZAR</b>
Banking Hall Cash Withdrawal	1,000	1,000	20,000
ATM Withdrawal	1,000	1,000	20,000

4.4.2. The current policy on withdrawal limits for corporates remains the same.

## **5. MULTI-CURRENCY PRICING OF GOODS AND SERVICES**

5.1. The restoration and promotion of the multi-currency system also calls for complimentary systems to be put in place in the wholesale and retail trade sectors, to support policy application and effectiveness. In this regard, the highlighted foreign currency management framework, requires the enforcement of multi-currency pricing of goods and services.

5.2. This means that product pricing in shops, and other service providers would need to be reflective of the multi-currency system. All sellers of goods and services in Zimbabwe shall be required to implement POS systems that will consistently allow customers to purchase, and be invoiced for goods and services in their currency of choice, in the multi-currency basket.

5.3. To enforce this requirement, the Bank Use Promotion and Anti-Money Laundering Unit of the Reserve Bank, shall issue the relevant statutory directive to this effect.

## **6. DISPLAY OF INTERNATIONAL EXCHANGE RATES IN ALL BANKING HALLS, WHOLESALE AND RETAIL OUTLETS**

6.1. To ensure public awareness of the prevailing international exchange rates for transacting purposes in any of these stated currencies (i.e. USD, ZAR, EUR), all Authorised Dealers (banking halls), wholesale and retail outlets, including national and local authorities, and service providers, shall be required to display **Exchange Rates Boards (ERBs)**, for currencies under the multi-currency system, at a place visible for information for the transacting public and the Reserve Bank.

## **7. CONCLUSION**

- 7.1. The success of these policy measures and interventions to deal with the current cash shortages whilst simultaneously stabilizing and stimulating the economy is predicated on full implementation and compliance by all stakeholders.
  
- 7.2. Exchange Control shall continue to ensure full compliance towards the implementation of these prudential foreign exchange management measures. Accordingly, the Exchange Control Compliance Rating System (EXCORS) shall be amended and revised to attach significant weight to areas key in ensuring the effective administration of these prudential foreign exchange management measures.

**EXCHANGE CONTROL DIVISION**

**05 MAY 2016**

**ANNEXURE 1: Large Scale Mining Exporters (Resource-based) Eligible for the 2.5% Export Incentive Scheme**

	<b>Exporter</b>
1.	MIMOSA
2.	Zimbabwe Platinum Mines (Pvt) Ltd
3.	Fidelity Printers And Refiners
4.	Fidelity Printers And Refiners P/L
5.	Unki Mine
6.	Bindura Nickel Corporation
7.	Mbada Diamonds (Pvt) Ltd
8.	Murowa Diamonds (Pvt) Ltd
9.	Marange Resources P/L
10.	Anjin Investments (Pvt) Ltd
11.	Diamond Mining Corporation (Pvt) Ltd
12.	Zimbabwe Mining Development Corporation
13.	Jin An Corporation (Private) Limited
14.	Jinan Mining (Pvt) Ltd
15.	Riozim Limited
16.	ZMDC (Zimbabwe Consolidated Diamond Company)
17.	South Mining Pvt Limited
18.	DTZ-OZGEO P/L
19.	Natural Stone Export
20.	Zimasco
21.	Quarrying Enterprises Private
22.	Hwange Coal Gasification Co Private Limited
23.	Hwange Colliery
24.	Xin Yu Mining Corporation Pvt Limited
25.	Nelson Holdings
26.	Southern Granites International P/L
27.	Samrec Vermiculite
28.	Ilford
29.	Bikita Minerals
30.	Dollar Tantalum Mining P/L
31.	Zimbabwe German Graphite Mines
32.	Zimbabwe International Quarries P/L
33.	Ilford Services P/L
34.	Kadoma Magnesite Pvt Ltd
35.	Niarchos Investments (Pvt) Limited
36.	Pan African Mining (Pvt) Ltd
37.	Makomo Resources (Pvt) Ltd
38.	CRG Quarries P/L
39.	Size Chunk Resources (Pvt) Ltd
40.	Hwange Colliery Company Limited
41.	Oliken Ferro Alloys

	Exporter
42.	Garlpex Investments (Pvt) Ltd
43.	Pangolin Mines & Minerals P/L
44.	Zimbabwe German Graphite Mines
45.	Zimbabwe Alloys Ltd
46.	Maranatha Ferrochrome
47.	Sandvik Mining And Construction
48.	ZGGM
49.	Special Metallurgical Projects Zimbabwe
50.	Storm Glitter (Pvt) Limited

**NB:** All mining exporters not on this list are entitled to the 5% export incentive scheme.