



## **EXCHANGE CONTROL DIRECTIVE RU102/2019**

25 June 2019

The Chief Executive Officer  
Bank  
Location  
Street  
**HARARE**

### **ATTENTION: CHIEF EXECUTIVE OFFICER**

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 Reserve Bank of Zimbabwe (Legal Tender) Regulations, Statutory Instrument 142 of 2019 issued by the Minister of Finance and Economic Development and the Press Statement announced by the Governor of the Reserve Bank on 24 June 2019 on Strengthening the Interbank Foreign Exchange Market. In order to operationalize these measures, Authorised Dealers are advised as follows: -

#### **2. Removal of the Multi-currency System**

2.1 Authorised Dealers are advised of the discontinuation of the multi-currency system with effect from 24 June 2019. All domestic transactions shall now be settled in Zimbabwe dollars, the sole legal tender in Zimbabwe which is represented by bond notes and coins and electronic currency i.e. RTGS dollars.

2.2 Effectively, the use of foreign currency to settle domestic transactions has been removed and the basket of multi-currencies, that is, USD, GBP, ZAR, EUR, BWP, JPY, CNY, AU\$ and Indian Rupee shall only be used to settle international



payments or those services exempt from this requirement as per Section 3 of Statutory Instrument 142 of 2019.

- 2.3 Similarly, the pricing on all domestic contracts, including the displaying of prices in all outlets in Zimbabwe, shall be effected and/ or displayed in the local unit of account.

### 3. Administration of Foreign Currency Accounts

- 3.1 Authorised Dealers are advised that the operation of Nostro FCAs shall remain in place for purposes of receiving offshore funds and to facilitate foreign payments. The following Foreign Currency Accounts shall remain in operation;

**Table 1: Foreign Currency Accounts**

	<b>Account Designation</b>	<b>Source of Funds</b>
1.	<b>Nostro FCA (Exports)</b>	Export proceeds from offshore only.
2.	<b>Nostro FCA (Offshore Loans)</b>	Offshore loan proceeds only.
3.	<b>Nostro FCA (Investments)</b>	Offshore funds provided by a foreign investor and investment returns realised from cross border/offshore investments undertaken by resident investors.
4.	<b>Nostro FCA (Domestic)</b>	Foreign currency cash deposits funded from local trade before 24 June 2019.
5.	<b>Individual/ Corporate Non-Resident Nostro FCA</b>	Funded from offshore sources by non-residents.
6.	<b>Individual Nostro FCA</b>	Funded with diaspora remittances, donations from non-residents and foreign currency cash deposits.
7.	<b>Non-Governmental Organisation, Embassies &amp; International Organisations Nostro FCA</b>	Funded with funds sourced from offshore.
8.	<b>Nostro FCA (Transitory)</b>	Funded with funds that are in transit from offshore awaiting transfer to the ultimate beneficiaries. <b>NB: The funds are in transit and the FCA is typically for law firms, real estate agents, insurance companies, Money Transfer Agencies and tourism players.</b>

- 3.2 The Nostro FCA (Domestic) was funded from local foreign exchange transactions. In view of these new policy measures where the Zimbabwe dollar shall be the sole legal tender, existing Nostro FCA (Domestic) shall be allowed to receive deposits up to 30 June 2019 to enable account holders to deposit their cash holdings realised from trade undertaken before 24 June 2019.
- 3.3 In cases where local service providers e.g. transporters, consulting firms, etc, are paid from offshore sources for services rendered locally, such funds shall continue to be deposited into the Nostro FCA (Domestic).
- 3.4 Funds in all these accounts listed in Table 1 above will retain their foreign currency status and shall continue to be utilised for the settlement of international transactions. In cases where the holder of such an account intends to settle domestic transactions, they shall be required to liquidate their foreign currency account balances to the interbank on a willing seller willing buyer basis.

#### **4. Foreign Currency Cash withdrawals**

- 4.1 Authorised Dealers are advised that unconditional authorization for foreign currency cash withdrawals by corporates has now been removed. However, withdrawals by the same on deserving cases such as road toll fees are now permissible only on a case by case basis subject to the application of Know Your Customer (KYC) and Customer Due Diligence (CDD) principles on the withdrawer. These principles to be applied should be in line with Anti-Money Laundering and Counter Finance of Terrorism AML/CFT regulatory requirements and best practice.
- 4.2 Authorised Dealers are reminded of the limit of export of cash in person or baggage which remains at US\$2 000 per exit as per Exchange Control Directive RS119 dated 04 August 2017.

4.3 For individuals, the current policy shall remain in force with Authorised Dealers also required to apply the usual KYC and AML/CFT standards.

## 5. Administration of Legacy Debts

5.1 Authorised Dealers are hereby directed to transfer to the Reserve Bank, all RTGS Dollar balances in relation to legacy debts registered with the Reserve Bank in fulfillment of Exchange Control Directive RU28 dated 22 February 2019.

## 6. Measures to Enhance the Interbank Market

### 6.1 Retention Thresholds and Period for Export Receipts

6.1.1 Authorised Dealers are advised that the retention thresholds for export receipts and tobacco and cotton offshore loan drawdowns shall remain in place as previously communicated under Exchange Control Directive RU28 dated 22 February 2019. For ease of administration, the retention thresholds are restated as follows;

**Table 2: Retention Thresholds for Export Receipts & Loan Drawdowns**

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 (production)	100%	0%
Tobacco and cotton offshore loans for purchase of the crop	0%	100%
Agriculture, Horticulture	80%	20%
Transport and other services	80%	20%

6.1.2 Authorised Dealers are also reminded that the retention period within which an exporter is entitled to utilize their retained export receipts remains within 30 days from the date of receipt. As per Exchange Control Directive RU28 dated 22 February 2019, 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.

## **6.2 Foreign currency for the interbank market**

6.2.1 In order to enhance interbank market trading, Authorised Dealers are advised that the Reserve Bank shall sell 50% of the export retention due to the Central Bank to the interbank market. Letters of Credit shall continue to be utilised for importation of essential commodities that include fuel, cooking oil and wheat.

## **6.3 Removal of US\$10,000 limit on Bureaux de Change transactions**

6.3.1 In order to deepen the operations of the interbank foreign exchange market and to enhance the operations of Bureaux de Change, with effect from 25 June 2019, Bureaux de Change are now permitted to buy and sell foreign currency without any limit in terms of the amount.

## **6.4 Removal of the 2.5% Margin for Interbank Market Transactions**

6.4.1 Exchange Control advises of the immediate removal of the 2.5% margin on foreign exchange trades in the interbank market which was previously communicated under Exchange Control Directive RU80 dated 22 May 2019.

## **7. Payment of Small Scale Gold Producers**

7.1 Authorised Dealers are advised that the current gold marketing framework for small scale gold producers shall continue to apply. For those small scale gold producers with Nostro FCAs, the funds shall not be subjected to the 30 day retention period.

## **8. Payment of Large Scale Gold Producers**

8.1 Authorised Dealers are advised that the current payment arrangements for large scale gold producers shall continue to apply and the retention thresholds have remained the same as previously communicated by Exchange Control in Exchange Control Directive RU28 dated 22 February 2019.

## **9. Administration of Nostro FCAs for Tobacco Growers**

- 9.1 In terms of Exchange Control Circular Number 5, dated 16 April 2019, tobacco growers are entitled to receive part of their sales proceeds in United States Dollars, deposited into their Nostro FCAs.
- 9.2 Authorised Dealers are advised that this arrangement shall continue and the accounts shall continue to be administered as per the current arrangements, where tobacco growers are paid 50% of sale proceeds in foreign currency into their FCA. However, in the event that the tobacco grower intends to meet local obligations, the sale proceeds must first be converted to Zimbabwe Dollars through the interbank foreign exchange market.

## **10. Treatment of Offshore Loans Drawdowns for Financing Tobacco Production**

- 10.1 Authorised Dealers are advised that tobacco merchants shall retain 100% of funds drawn down for the purpose of financing tobacco production.
- 10.2 Where there is need for disbursement of working capital to the contracted farmer, the proceeds shall be deposited into the grower's Nostro FCA (Special) which can be opened with a bank of their choice. The tobacco grower shall then liquidate the proceeds from the Nostro FCA (Special) to meet local obligations.

## **11. Administration of Payments to Cotton Growers**

- 11.1 Authorised Dealers are advised that the current cotton marketing arrangements shall continue to operate.

## **12. Downstream Payments by Exporters**

- 12.1 Authorised Dealers are advised that the operation of transitory accounts shall be maintained. These accounts are, however, not transacting accounts, but shall be used for distribution of export proceeds to respective downstream beneficiaries.



- 12.2 In order to maintain or operate transitory accounts for exporters, Authorised Dealers shall seek prior Exchange Control authority.
- 12.3 In light of the above, Authorised Dealers are advised that producers who sell their produce for consolidation for export e.g. fresh cut flowers and macadamia nuts shall be eligible to access their foreign currency through the Special FCA framework. Funds in these accounts, shall be utilised for the settlement of international transactions. In cases where the holder of such an account intends to settle domestic transactions, they shall be required to liquidate their foreign currency account balances to the interbank on a willing seller willing buyer basis.

### **13. Review of Export Documentation charges**

- 13.1 In order to promote ease of doing business and reduce cost of export, Authorised Dealers are advised that all export documentation shall be available free of charge.

### **14. Trading of Dual Listed Shares**

- 14.1 Authorised Dealers are advised that with effect from 25 June 2019, any investor who shall purchase a dual listed share on the Zimbabwe Stock Exchange (ZSE) shall only be allowed to sell the share on the ZSE or on an external stock exchange after a vesting period of ninety (90) days from the date of initial purchase.
- 14.2 For investors wishing to uplift dual listed shares from external bourses for purposes of selling the shares on the ZSE, such sales shall only be allowed to be executed after a period of ninety (90) days from the date of registration on the ZSE.
- 14.3 For investors who have already acquired dual listed shares on the ZSE and are desirous of disposing of such shares, Exchange Control directs that such sales can only be allowed in instances where the shares have been purchased on or before 20 March 2019.

14.4 The procedures for trading in dual listed shares on the ZSE as previously communicated by Exchange Control on 26 May 2016 shall remain operational.

## **15. Disbursement of International Remittances**

15.1 In order to encourage and facilitate the flow of foreign currency, diaspora remittances shall continue to be received in foreign currency. The recipients shall have the option to receive remittances in cash or sell their remittances on a willing seller willing buyer basis to Bureaux de Change and Authorised Dealers or deposit into Individual Nostro FCA.

## **16. Exchange Control Returns**

16.1 Authorised Dealers are reminded of the need to ensure compliance with this Directive and to continue submission of Exchange Control Returns as required. Non-compliance with any of the afore-stated provisions is a violation of the provisions of Section 5 (i) and (ii) of the Exchange Control Act [Chapter 22:05] which require persons to comply with, among others, the terms or conditions of any permit, authority, permission, direction, notice, order or other instrument made or issued under or by virtue of the Act.

17. Please be guided accordingly.

Yours Faithfully



C. Tembo

Acting Director

**EXCHANGE CONTROL**

**Cc: Head Exchange Control  
Head Treasury**