Reserve Bank of Zimbabwe. 80 Samora Machel Avenue. P.O. Box 1283, Harare, Zimbabwe
Tel: 263-4-703000, Fax: 263-4-707800, Telex: 26033, 26075 RESZIM ZW, Website: www.rbz.co.zw

EXCHANGE CONTROL DIRECTIVE RT120/2018

04 October 2018

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 Monetary Policy Statement announced by the Reserve Bank Governor on 01 October 2018, which presented measures aimed at strengthening the multicurrency system, enhancing business viability, price stability, increasing export generation capacity and improving market confidence. In order to operationalise these measures, Authorised Dealers are advised as follows:-

2. Separation of Foreign Currency Accounts (FCAs) based on source of funds

2.1 Given the need to enhance market confidence, promote transparency, preserve value, incentivise generators of foreign exchange, promote effective and efficient utilisation of foreign currency and strengthen the multicurrency system, with immediate effect, FCAs are now separated according to the source of funds.

2.2 In this regard, foreign currency realised from offshore or foreign currency cash deposits shall be eligible for crediting into the individual or corporate **Nostro FCA**, while all Real Time Gross Settlement (RTGS) or mobile money transfers and bond notes and coins deposits, shall be credited into the individual or corporate **RTGS FCA**.

2.3 While these are the broad classifications for the FCAs, Authorised Dealers shall for purposes of ease of administration and for Exchange Control accounting, separate the Nostro FCAs in terms of the source of foreign currency as follows:-

Table 1: Separation of Nostro FCA Accounts

	Account Designation	Source of Funds
1.	**Nostro FCA (Exports)**	Export proceeds
2.	**Nostro FCA (Offshore Loans)**	Offshore loan proceeds.
3.	**Nostro FCA (Investments)**	Offshore funds provided by a foreign investor
4.	**Nostro FCA (Domestic)**	Foreign currency cash deposits from local trade and foreign currency inflows into Trust Accounts.
5.	**Non-Resident Nostro FCA**	Funded from offshore sources by non-residents.
6.	**Individual Nostro FCA**	Funded with diaspora remittances, donations and foreign currency cash deposits.
7.	**Non-Governmental Organisation, Embassies & International Organisations Nostro FCA**	Funded with funds sourced from offshore.
8.	**Bank Nostro FCA**	Funded with offshore funds intended for the benefit of a bank, interest receipts, bank charges etc.

2.4 Authorised Dealers are also advised to open Non-Resident RTGS FCAs to serve the same purpose of the existing Transitory Accounts

2.5 In line with the Monetary Policy Statement, all existing account balances should be separated into Nostro FCAs and RTGS FCAs by **15 October 2018** and these accounts should be opened at no cost using information already with banks**.** In separating the FCAs, Authorised Dealers are required to use the Customer Due Diligence (CDD) and Know Your Customer (KYC) principles to ensure a smooth transition of this process.

2.6 Authorised Dealers shall provide Exchange Control with an outcome of this exercise through the completion and submission of the Exchange Control FCA Balances Return by 1000 hrs on **16 October 2018**. Thereafter, the return shall be submitted to Exchange Control on daily basis by 1000 hrs as is the current case.

3. Retention and Utilisation of Nostro FCAs

3.1 In order to ensure viability and sustainability of exporters, Authorised Dealers are advised that, with immediate effect, retention thresholds for export receipts and tobacco and cotton offshore loan drawdowns have been reviewed.

3.2 All sectors shall continue to retain 100% of their export proceeds in their Nostro FCAs for an indefinite period with the exception of the following category of exporters and producers:-

Table 2: Retention Thresholds for Selected Exporters & Producers

	Category of Exporter	Exporter Retention Portion	Reserve Bank Portion	Authorised Dealer Portion
1.	Large Scale Gold Producers	30%	70%	-
2.	Platinum, Chrome & Diamonds	35%	60%	5%
3.	All other minerals **excluding** Gold, Chrome, Platinum and Diamonds	50%	40%	10%
4.	Tobacco offshore loans for production	80%	10%	10%
5.	Tobacco offshore loans for purchase of the crop	20%	70%	10%
6.	Cotton offshore loans for production	80%	10%	10%
7.	Cotton offshore loans for purchase of the crop	20%	70%	10%
8.	Tobacco and cotton value addition export receipts (where crop was financed using offshore funds)	75%	20%	5%
9.	Tobacco and cotton value addition export receipts (where crop was financed using local funds)	25%	70%	5%

3.3 Funds in the Nostro FCAs shall be held for an indefinite period. Authorised Dealers are advised that the Foreign Exchange Priority List Guideline will only apply to foreign payments from Nostro FCA (Exports) and bank's retention portion.

3.4 The Nostro FCAs shall be protected by a Deposit Protection Guarantee Facility from the African Export and Import Bank (Afreximbank) to ensure that depositors' funds are secured.

3.5 The abuse of Nostro FCA balances and misappropriation of these funds in any way will compromise the Authorised Dealership Licence which may result in suspension or revocation of the licence in terms of the Exchange Control Act [Chapter 22:05].

4. Foreign currency payments for high value transactions

4.1 Authorised Dealers are advised that in as much as possible, high value payments should be processed using other forms of payments such as Letters of Credit, documentary credits and others. Where these forms of payment have been used by importers, Authorized Dealers should report such forms of payment on the CEBAS system.

4.2 In addition, when processing foreign payments, Authorised Dealers are obliged to exercise strict Customer Due Diligence (CDD) and Know Your Customer (KYC) principles to ensure that foreign payments are processed in line with best practice which requires that the respective import documentation (i.e. invoices) have the following mandatory features:-

i. Full details of consignee, that is, physical address, contact numbers and banking details that conform to the payee's details;
ii. Value and nature of goods or services being paid for;
iii. Terms of payment, whether credit terms, advance payments or letter of credit; and
iv. Delivery period for advance payments.

4.3 Importers shall continue to complete the Exchange Control Importer Declaration Form confirming that the same request for payment has not been submitted through another Authorised Dealer. In addition, Authorised Dealers should ensure that their importing clients submit to the bank, import documents for acquittal within the prescribed 90 days.

5. Repatriation of Exports Proceeds

5.1 Authorised Dealers are reminded that, in terms of Section 13 of Exchange Control (General) Order, Statutory Instrument 110 of 1996, export proceeds must be repatriated within 90 days from the date of export.

5.2 It is the regulatory duty of Authorised Dealers to alert their exporting clients of this requirement, including sending reminders for overdue export proceeds as provided for under Section 4(2) of Exchange Control (General) Order, Statutory Instrument 110 of 1996.

6. Purchase of fuel in Zimbabwe by foreign haulage truckers

6.1 In terms of Section 10(1)(a) of Exchange Control Regulations, Statutory Instrument 109 of 1996, no person shall, in Zimbabwe, make any payment to a Zimbabwean resident on behalf of a foreign resident, unless otherwise approved by Exchange Control.

6.2 In this regard, Authorised Dealers are advised that, with immediate effect, all foreign registered haulage truckers plying the Zimbabwean routes shall pay for their fuel in Zimbabwe in foreign currency. The same shall apply to foreign traders buying goods in Zimbabwe for sale in the neighbouring countries.

6.3 All the Foreign exchange earnings generated through these activities should be retained for use by the service providers.

7. Purchase of Gold by Jewellers

7.1 Authorised Dealers are advised that, with immediate effect, all purchases of Gold by jewellers for manufacturing of jewellery for export shall be in foreign currency.

7.2 Where an export order is pre-funded and payment is received as cash, the cash receipts shall be deposited into a Nostro FCA (Exports) to facilitate Gold purchases. The cash deposit shall be supported by a cash dispensing certificate of the foreign bank and the ZIMRA Form 47.

7.3 Upon export of the manufactured jewellery, the jeweller shall retain 100% of their export proceeds in the Nostro FCA (Exports).

7.4 Consistent with this new policy measure on the financing of the purchase of Gold to manufacture jewellery for export and treatment of the export proceeds, with immediate effect all authorities, dispensations and waivers previously issued by Exchange Control are cancelled.

8. Revision of Debt to Equity Ratio on Greenfield Projects

8.1 Authorised Dealers are advised that in order to foster sustainability of foreign investments in a manner that ensures a beneficial mix of debt to equity without entirely funding projects from debt-creating flows, funding structures for Greenfield projects shall be in the range of 2:1.

8.2 Foreign investments undertaken by foreign investors in partnership with the Government or other public institutions, under the auspices of public private partnerships especially the Build Operate and Transfer (BOT) maybe funded using 100% foreign debt.

9. Cross border investments and Offshore Fund Raising Initiatives

9.1 Authorised Dealers are advised that, in order for the country to derive maximum benefits from offshore investments undertaken by local entities, going forward, all offshore investments in the form of offshore holding companies intending to dispose of part of their shares to foreign investors shall be required to repatriate all the realized proceeds to Zimbabwe.

9.2 In cases where the offshore holding company intends to expand into other countries using proceeds realized from the sale of shares, prior Exchange Control authority shall be required.

10. Settlement of Capital Gains Tax in Foreign Currency to ZIMRA

10.1 In February 2018, the Reserve Bank introduced a policy that allowed individuals, with adequate justification, to sell their immovable properties to non-resident buyers with offshore funds and in some instances the purchase price is retained offshore provided prior Reserve Bank approval is obtained.

10.2 Going forward, all sellers of immovable property to non-resident buyers with offshore funds are required to pay Capital Gains Tax from offshore into a ZIMRA Designated Nostro FCA. Evidence of payment from offshore, shall be required during ZIMRA interviews to enable issuance of tax clearance certificate.

10.3 In cases where a resident sells an immovable property to a non-resident buyer with offshore funds, the purchase price should be transferred into the seller's Nostro FCA.

11. Compliance by Authorised Dealers and Other Market Participants

11.1 These measures are aimed at strengthening the multicurrency system, enhancing business viability, price stability, increasing export generation capacity and improving market confidence and as such Authorised Dealers are compelled to comply with these measures.

11.2 Exchange Control regards compliance as key in ensuring attainment of this overriding objective as spelt out in the Monetary Policy Statement. Accordingly, Authorised Dealers are advised that Exchange Control will penalise any form of non-compliance in terms of the Exchange Control Rating System

12. Please be guided accordingly.

F. Masendu
Director
EXCHANGE CONTROL

cc: Exchange Control Head
Treasury Head