



BANK OF ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

August 11, 2006

CB Circular No: 05/2006

To: All Commercial Banks

MODIFICATIONS TO THE BROAD - BASED INTERBANK FOREIGN EXCHANGE MARKET SYSTEM

Since the introduction of the Broad-Based Interbank Foreign Exchange Market System in July 2003, the market has evolved whereby the daily turnover has increased and the price discovery process improved.

Extensive consultations with all stakeholders regarding further improvements to the operations of the market have also taken place, including the review of representations and proposals made by the Bankers Association of Zambia and the Financial Markets Association of Zambia. Following this process and in order to foster effective market making, the Bank of Zambia is introducing some modifications to the guidelines relating to the operations of the foreign exchange market.

The changes being made are as follows:

- (i) The marketable threshold amount for a two-way quote is increased from the current US\$50,000.00 to US\$500,000.00 or equivalent in other currencies;
- (ii) The bid-offer rate spread on the marketable threshold amount is also revised so as not to exceed K20.00 from the current K50.00;
- (iii) Primary Dealers are now required to submit the latest bid (buying) and offer (selling) rates as at 09:30, 12:30 and 15:30 hours as opposed to the current arrangement of submitting low-high bid and low-high offer quotes at the above stated times. The submitted rates should reflect the Primary Dealers' quotes in the inter-bank market;
- (iv) The overnight overall foreign exchange and single currency exposure limits are revised upwards from the current 15% and 10% to 25% and 20% of regulatory capital, respectively.

The intra-day overall foreign exchange and single currency exposure limits are also revised upwards from the current 30% and 20% to 40% and 30% of regulatory capital, respectively.

This measure is expected to improve the flexibility with which commercial banks manage their liquidity; and

- (v) Regarding the documentation to support external payments in excess of US\$5,000, commercial banks are hereby advised to accept payment instructions which should include the specification of the purpose(s) for the external payment from their customers on a *know-your-customer* (KYC) basis. Customers will also be required to make an undertaking to provide on demand to their commercial bank(s) and the Bank of Zambia access to necessary documentation in support of such transactions.

Commercial banks will be required to submit:

- a) an end of day summary report on their foreign exchange purchases and sales by sector as per attached FX-Daily Schedules 1(a)-(f) by 09:00 hrs the following business day; and
- b) monthly return for Balance of Payments purposes on foreign exchange purchases and sales by category as per attached Schedules FX-PUR Form 2(a) and FX-SALES Form 2(b) by the third Monday of following the month.

The above measures are with immediate effect.

The Bank of Zambia wishes to reiterate the need for all commercial banks to comply with the Foreign Market (Code of Conduct) Guideline of 2003. The adherence by market participants to this Code is important for smooth and efficient functioning of the system.

Please note that these guidelines will be subject to revision from time to time to reflect changes in the operating environment.



Denny H Kalyalya (Dr)
DEPUTY GOVERNOR - OPERATIONS

Cc: Governor

DATE: 2006
 YEAR:



BANK OF ZAMBIA

**DAILY FOREIGN EXCHANGE TRANSACTIONS
 SPOT SALES**

NAME OF BANK:

Please enter the amount of foreign exchange sold to your counterparty during the day by sector

Name of Counterparty	Sector	Amount	Currency	Exchange Rate

This form must be submitted daily to the Financial Markets Department of the Bank of Zambia in Lusaka by 09:00hrs.

Please send to:

Director - Financial Markets Department
 P. O. Box 30080
 LUSAKA
 Fax 226707/221189

Authorised by:
 Title :
 Tel :
 Fax :



BANK OF ZAMBIA

FX-DAILYPUR-SCHEDULE 1B

DATE: 2006
YEAR:

DAILY FOREIGN EXCHANGE TRANSACTIONS
SPOT PURCHASES

NAME OF BANK:

Please enter the amount of foreign exchange purchased from your counterparty during the day by sector

Name of Counterparty	Sector	Amount	Currency	Exchange Rate

This form must be submitted daily to the Financial Markets Department of the Bank of Zambia in Lusaka by 09:00hrs.

Please send to:

Director - Financial Markets Department
P. O. Box 30080
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Fax 226707/221189

Authorised by:
Title :
Tel :
Fax :



BANK OF ZAMBIA

DAILY FOREIGN EXCHANGE TRANSACTIONS

FORWARD SALES

DATE: YEAR: 2006

NAME OF BANK:

Please enter the amount of foreign exchange sold forward to your counterparty during the day by sector

Name of Counterparty	Sector	Amount	Currency	Exchange Rate	Tenor

This form must be submitted daily to the Financial Markets Department of the Bank of Zambia in Lusaka by 09:00hrs.

Please send to:

Director - Financial Markets Department
 P. O. Box 30080
 LUSAKA
 Fax 226707/221189

Authorised by:
 Title :
 Tel :
 Fax :



BANK OF ZAMBIA

DAILY FOREIGN EXCHANGE TRANSACTIONS

FORWARD PURCHASES

DATE: 2006
 YEAR:

NAME OF BANK:

Please enter the amount of foreign exchange purchased forward to your counterparty during the day by sector

Name of Counterparty	Sector	Amount	Currency	Exchange Rate	Tenor

This form must be submitted daily to the Financial Markets Department of the Bank of Zambia in Lusaka by 09:00hrs.

Please send to:

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 P. O. Box 30080
 LUSAKA
 Fax 226707/221189

Authorised by:
 Title :
 Tel :
 Fax :



BANK OF ZAMBIA

DAILY FOREIGN EXCHANGE TRANSACTIONS

SWAP SALES

DATE: YEAR: 2006

NAME OF BANK:

Please enter the amount of foreign exchange sold through swap to your counterparty during the day by sector

Name of Counterparty	Sector	Amount	Currency	Exchange Rate	Tenor

This form must be submitted daily to the Financial Markets Department of the Bank of Zambia in Lusaka by 09:00hrs.

Please send to:

Director - Financial Markets Department
 P. O. Box 30080
 LUSAKA
 Fax 226707/221189

Authorised by:

Title :
 Tel :
 Fax :



BANK OF ZAMBIA

DAILY FOREIGN EXCHANGE TRANSACTIONS

SWAP PURCHASES

FX-DAILYSWPPUR-SCHEDULE 1F

DATE: 2006
YEAR:

NAME OF BANK:

Please enter the amount of foreign exchange purchased through swap from your counterparty during the day by sector

Name of Counterparty	Sector	Amount	Currency	Exchange Rate	Tenor

This form must be submitted daily to the Financial Markets Department of the Bank of Zambia in Lusaka by 09:00hrs.

Please send to:

Director - Financial Markets Department
P. O. Box 30080
LUSAKA
Fax 226707221189

Authorised by:
Title :
Tel :
Fax :

MONTH:
YEAR: 2006

FX-PUR FORM 2A



BANK OF ZAMBIA

MONTHLY FOREIGN EXCHANGE TRANSACTIONS

PURCHASES

NAME OF BANK/BUREAU:

Please enter the amount of foreign exchange purchased from your Bank/Bureau by your clients during the month according to the following categories /purposes:

Category	Amount in US\$
Imports of:	
Goods	
a) Food items	
b) Petroleum Products	
c) Fertiliser	
d) Chemical	
e) Plastic & Rubber Products	
f) Paper & paper products	
g) Iron and Steel	
h) Nuclear reactors	
i) Electric Machinery and Equipment	
j) Vehicles	
k) Other	
Services	
a) Education	
b) Medical	
c) Business/Official/Holiday Travel	
d) Gratuity	
e) Pension	
f) Personal Remittance	
g) Dividends	
h) Construction Services	
i) Freight	
j) Port Charges	
k) Insurance	
l) Computer Services	
m) Subscriptions	
n) Royalties	
o) Other Services	
Capital	
a) Emigration	
b) Capital transfers	
c) Investments abroad	
d) Principal Repayments on Loans	
e) Interest on Loans	
Other Purposes	
TOTAL	

This form must be submitted to the Economics Department of the Bank of Zambia in Lusaka by the third Monday of the following month.

Person who should be contacted if any queries arise regarding this form:

Please send to:

Director - Economics Department
P. O. Box 30080
LUSAKA
Fax 221722 or 221664

Name :

Title :

Tel :

Fax :

MONTH:
YEAR: 2006

FX-SALES-FORM 2B



BANK OF ZAMBIA

MONTHLY FOREIGN EXCHANGE TRANSACTIONS
SALES

NAME OF BANK/BUREAU:

Please enter the amount of foreign exchange sold to your Bureau/Bank by your clients during the month according to the following categories /sources:

Category	Amount in US\$
Export of	
Merchandise Export Sector	
Metal Exports	
a) Copper	
b) Cobalt	
c) Other Metal Exports	
Non-Metal Exports	
Services	
a) Education	
b) Medical	
c) Business/Official/Holiday Travel	
d) Gratuity	
e) Pension	
f) Personal Remittance	
g) Dividends	
h) Construction Services	
i) Freight	
j) International Organizations	
k) Insurance	
l) Diplomatic Missions	
m) Subscriptions	
n) Royalties	
o) Other Services	
Capital	
a) Emigration	
b) Capital transfers	
c) Investments from abroad	
e) Drawings on Loans	
Other Purposes	
TOTAL	

This form must be submitted to the Economics Department of the Bank of Zambia in Lusaka by the third Monday of the following month.

Person who should be contacted if any queries arise regarding this form:

Please send to:

Director - Economics Department
P. O. Box 30080
LUSAKA
Fax 221722

Name :

Title :

Tel :

Fax :