



BANK of ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

October 20, 2008

CB Circular No : 09/2008

To : All Commercial Banks

REVIEW OF THE BROAD - BASED INTERBANK FOREIGN EXCHANGE MARKET SYSTEM

In its continued efforts to develop and strengthen the foreign exchange market, the Bank of Zambia has taken measures to refine the operations of the Interbank Foreign Exchange Market (IFEM). These measures are as follows:

- (i) The classification of the participants in the Interbank Foreign Exchange Market as "Primary Dealers" and "Market Makers" shall be discontinued. All commercial banks shall be designated as **Authorised Dealers**.
- (ii) As Authorized Dealers, all commercial banks shall quote firm bid (buying) and offer (selling) rates at all times. All commercial banks shall also submit their latest firm bid (buying) and offer (selling) quotes at thirty (30) minute intervals starting at 08:30 hours each business day.
- (iii) The spread between the bid (buying) and offer (selling) rate for the marketable lots shall be maintained at a level not exceeding K20.00.
- (iv) Consistent with increased daily volumes and high value market transactions, the marketable threshold amount for a two way quote shall now range between US\$100,000.00 and US\$1,000,000.00 or equivalent in other currencies.
- (v) The Bank of Zambia shall be at liberty to sell or buy foreign exchange from a commercial bank at these exchange rates.
- (vi) All commercial banks shall update their Reuters Pages, ZMK = 1, at the same (30 minute) intervals.

- (vii) All commercial banks shall submit (electronically) to the Bank of Zambia all customer orders amounting to US\$1,000,000.00 and above each time a customer consummates or places an order to buy or sell foreign exchange.
- (viii) To facilitate the development of the forward market, all commercial banks shall provide forward quotes and post the information on Reuters Page ZMK = 1, for consummated forward contracts as they are concluded. All commercial banks shall continue to provide information on forward contracts (products) with counterparties on forms FX-Dailyfwdsales-schedule 1C and FX-Dailyfwdpur-Schedule 1D, submitted to BoZ on a daily basis.

All the above measures shall take effect immediately.

For the foreign exchange market to function efficiently commercial banks are expected to conduct business professionally and in line with the Foreign Exchange Market (Code of Conduct) Guideline of 2003. Any misconduct or behaviour deemed disruptive to the orderly functioning and sound development of the domestic market shall attract severe sanctions.



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Cc: Governor