



Bank Of Zambia
OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

BOZ/EXE/DGO/fmkts/bp

November 30, 2015

CB Circular No. : 23/2015

To : All Heads of Commercial Banks

**AMENDMENTS TO THE INTERBANK FOREIGN EXCHANGE MARKET
FRAMEWORK RULES**

In our continued efforts to improve transparency and strengthen the operations of the domestic foreign exchange market, the Interbank Foreign Exchange Market Framework (IFEM) rules have been revised in consultation with the Bankers Association of Zambia (BAZ).

To this end, the Bank of Zambia has issued revised IFEM rules with the following amendments:

1. Clause 2.0
 - (a) Section 2.2 to include 2.2.14 "A bank is connected to the Real Time Trade Reporting system";
 - (b) Section 2.2 to include 2.2.15 "A bank has its Dealing room domiciled in Zambia";
 - (c) Section 2.3 to include 2.3.9 "Commercial banks to provide timely pipeline of client's foreign exchange purchases and sales orders for a minimum rolling period of five working days".
2. Clause 7.0
 - (a) New Section 7.8 to include: "The Bank of Zambia on assessment of the prevailing market conditions shall have the discretion to undertake any of the following measures in order to promote market orderliness and stability:

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- i. adjust the minimum marketable amount;
 - ii. adjust the margin on the interbank bid-ask spread; and
 - iii. adjust the margin on the retail bid-ask spread”.
- (b) New Section 7.9 to include “The Bank of Zambia shall send instructions to commercial banks to suspend interbank market activity, based on the market stress conditions to be determined by the central bank. While the suspension of interbank market is in force, commercial banks shall continue with non-interbank foreign exchange activities. The suspension and re-opening of the interbank market shall occur between two consecutive posting times, during which a meeting will be held between the Bank of Zambia and commercial banks to chat the way forward and among other things, agree on the re-opening exchange rate. On resumption of interbank trading, the agreed exchange rate will be applicable to all commercial banks and posted by the Bank of Zambia”.
3. New Clause 9.0, Section 9.1 “All dealers in the foreign exchange and money markets at the commercial banks shall be required to be licensed by the Bank of Zambia”.
 4. New Clause 10.0, Section 10.1 “Any breach of the IFEM provisions shall attract penalties at individual and/or institutional level, which may include censure, suspension, monetary fine, and withdrawal of license as determined by the Bank of Zambia”.

These amendments to the IFEM rules take effect on 1st December, 2015.

The Bank of Zambia will continue to closely monitor the developments in the foreign exchange market in order to support the price stability objective.



Bwalya K. E. Ng'andu (Dr)
DEPUTY GOVERNOR – OPERATIONS

Cc Governor