



Bank Of Zambia

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

BOZ/EXE/DGO/fmkts/bp

October 5, 2015

CB Circular No. : 16/2015

To : All Heads of Commercial Banks


FOREIGN EXCHANGE MARKET MEASURES

The foreign exchange market has in recent times come under enormous pressure due in part to factors that are unrelated to economic fundamentals. Some of these factors border on the relatively low degree of transparency in the market as a whole. Therefore, it has been deemed necessary that enhanced levels of transparency will add to the efficiency of the price discovery process in our market and assist in our stability efforts.

In order to improve order, stability and transparency in the foreign exchange market, the following measures shall apply with immediate effect:

1. The Bank of Zambia shall at its discretion trade any amount beyond the marketable thresholds on a two-way quote submitted by the commercial banks at any time;
2. Individual commercial banks' exchange rates submitted to the Bank of Zambia shall now be published on both the Reuters information system and the Bank of Zambia website at 09:30 hours, 12:30 hours and 15:30 hours. The information may also be published on any other media platform as deemed fit by the Bank of Zambia; and
3. Commercial banks are required to update their Board exchange rates at 09:30 hours, 12:30 hours and 15:30 hours and these rates should be consistent with the interbank exchange rates submitted to the Bank of Zambia at these time intervals. The Board rates should be aligned to the interbank exchange rate in such a way that the interbank exchange rates, being for the wholesale market fall within the Board exchange rates. However, banks still remain at liberty to update the Board Rates at any other time as they see fit.

The Bank of Zambia will closely monitor commercial banks' conduct and compliance with these directives. Non-compliance with these directives will be deemed to be unsafe and unsound banking practice and shall attract supervisory action as envisaged under the Banking and Financial Services Act.



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DEPUTY GOVERNOR – OPERATIONS

Cc Governor