



BANK OF ZAMBIA
OFFICE OF THE DEPUTY GOVERNOR - ADMINISTRATION

February 6, 2014

To: CHIEF EXECUTIVES OF BUREAUX DE CHANGE AND COMMERCIAL BANKS

**GUIDANCE NOTE NO. 2 OF 2014 - OVER THE COUNTER FOREIGN CURRENCY CASH
TRANSACTIONS LIMITS WITH COMMERCIAL BANKS**

1. Background

- 1.1 Pursuant to Regulations 6 and 7 of the Banking and Financial Services (Bureau de Change) Regulations of 2003, the Bank of Zambia (BoZ), vide NB Circular No. 02/2013, reviewed the bureau de change foreign exchange transaction limits in section 8 of NB Circular No. 06/2003.
- 1.2 Section 3 of NB Circular No. 02/2013 sets out a bureau de change's aggregate foreign currency cash transactions with commercial banks where it operates accounts and provides that these shall not exceed the lower of the equivalent of US\$100,000 or 70 per cent of the bureau de change's regulatory capital per day. The regulatory capital to which the transaction limit shall be anchored shall be determined by the BoZ on a calendar quarter basis.
- 1.3 The Circular further provides that the aggregate over-the-counter foreign currency cash transaction limit at commercial banks where a bureau de change does not operate accounts shall not exceed the equivalent of US\$5,000 per day.

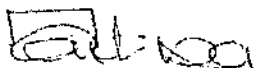
2. Interpretation of Over-the-Counter Foreign Currency Cash Transactions

- 2.1 The BoZ has observed a tendency by bureau de change to mis-interpret the provisions of NB Circular No. 2/2013 in order to circumvent its prescription by using their dollar accounts with commercial banks to withdraw amounts in foreign currency exceeding the limits prescribed in NB Circular No. 2/2013 referred above.
- 2.2 The BoZ hereby wishes to guide that a foreign currency cash withdrawal, just like a cash purchase of foreign currency is a **foreign currency cash transaction with a commercial bank and therefore, subject to the over-the-counter foreign currency transaction limits prescribed in section 3 of NB Circular No. 2/2013**. However, in cognizant of the fact that bureau de change's core business involves buying and selling of foreign currency, and in order not to hamper their operations, the BoZ has authorized bureau de change to exceed the US\$5,000 limit for operational purposes **provided that the aggregate foreign currency cash transaction (i.e., cash purchases from commercial banks plus cash withdrawals from operational accounts) does not exceed the lower of the equivalent of US\$100,000 or 70 per cent of the bureau de change's regulatory capital per day**.

3. Breach of Limits

- 3.1 Bureaux de change are reminded that an omission or failure to adhere to or comply with the over-the-counter foreign currency cash transaction limits with commercial banks constitutes an unsafe and unsound practice and may attract supervisory actions in terms of Section 77 of the Banking and Financial Services Act.
- 3.2 This Guidance Note is issued with the purpose of apprising bureau de change on their obligations with regard to compliance with over-the-counter foreign currency cash transaction limits with commercial banks.
- 3.3 In case of any query or clarification, kindly direct the same to:

The Acting Director
Non-Bank Financial Institutions Supervision Department
Bank of Zambia
P O Box 30080
LUSAKA
Tel: +260 211 221746
Email: vmbhuku@boz.zm


Dr Tukiya Kankasa-Mabula
DEPUTY GOVERNOR – ADMINISTRATION

Cc Deputy Governor – Operations
Director – Bank Supervision
Acting Director – Non-Bank Financial Institutions Supervision