

EXPLANATORY NOTES ON THE BANK OF ZAMBIA CURRENCY DIRECTIVES 2025

1.0 Introduction

These explanatory notes have been prepared to clarify the clauses contained in the Bank of Zambia Currency Directives, 2025, issued on 26 December 2025. The Directives reinforce the status of the Kwacha and Ngwee as the sole legal tender in the Republic of Zambia for domestic transactions.

The Directives are issued pursuant to Sections 18 and 73 of the Bank of Zambia Act, 2022. The clauses reproduced below are drawn directly from the Directives and the corresponding explanatory notes are provided for ease of interpretation and application.

2.0 Interpretation

This section provides definitions of key terms used in the Directives for consistency and accuracy in their application. The interpretations are intended to remove ambiguity and guide on the precise meaning of expressions as they appear in the Directives.

3.0 Application

These Directives apply to persons and to the Government undertaking domestic transactions.

This section defines the scope of the Directives. It clarifies that the requirements outlined in the Directives apply to all persons and entities whether individuals, associations of persons, corporate or unincorporate bodies and to the Government when conducting domestic transactions. Certain exemptions are, however, specifically provided for in the Schedule to the Directives.

4.0 Settlement

(1) Settlement of payment for domestic transactions shall only be in domestic currency, except for transactions specified in the Schedule of Exemptions.

This section establishes that all payments for domestic transactions must be settled in domestic currency (Kwacha) except for transactions specifically listed in the Schedule of Exemptions. In other words, every domestic transaction must be paid in Kwacha unless it falls under an exemption where payment in another currency is permitted.

(2) Settlement of payment for a domestic transaction under a contract or agreement denominated in foreign currency shall be the corresponding amount of money expressed in the domestic currency converted at the market exchange rate. Where the parties do not agree on the market exchange rate to be used, the current Bank of Zambia mid-rate shall be the reference rate.

This section addresses contracts or agreements for domestic transactions that are denominated in foreign currency. It requires that payment be made in Kwacha, with the amount calculated using the market exchange rate. If the parties cannot agree on which market exchange rate to apply, the current Bank of Zambia mid-rate will serve as the reference rate.

5.0 Domestic Transactions with Government

Where the Government is a party to a domestic transaction, neither the Government nor its counterparty shall quote, pay or be paid, demand for payment or receive payment in foreign currency, except for applicable transactions specified in the Schedule of Exemptions.

This section establishes that when the Government is a party to a domestic transaction, whether as payer or payee, quoting, paying, or receiving payment in foreign currency is prohibited. All such transactions must be quoted, invoiced and settled in Kwacha. However, specific exemptions apply as outlined in the Schedule of Exemptions.

6.0 Contraventions

- (1) A person who contravenes these Directives commits an offence and is liable, upon conviction, to a fine not exceeding two thousand five hundred penalty units or to imprisonment for a period not exceeding two years or to both.**
- (2) Where a corporate body or an unincorporated body is convicted of an offence under these Directives, an individual who —**
 - (a) is a director of, or is otherwise concerned with the management of, the corporate body or unincorporated body; or**
 - (b) knowingly authorised or permitted the act or omission constituting the offence;****shall be deemed to have committed the same offence unless that individual proves to the satisfaction of the court that the act constituting the offence was done without the individual's knowledge, consent or connivance.**
- (3) The Bank may impose an administrative penalty as may be prescribed for a violation of these Directives.**

This section establishes the consequences of violating the Directives. Any individual, company or association of persons whether corporate or unincorporate that violates these Directives commits an offence and upon conviction, is liable to a monetary fine not exceeding two thousand five hundred penalty units, imprisonment for up to two years, or both.

Where the offender is a corporate or unincorporated body, directors or persons involved in its management who knowingly authorised or permitted the act or omission will be deemed to have committed the same offence, unless they can prove to the court that the act occurred without their knowledge, consent, or involvement.

In addition to criminal liability, the Bank may impose administrative penalties, as prescribed, for non-compliance with these Directives.

7.0 Commencement

These Directives are with effect from 26 December 2025.

SCHEDULE OF EXEMPTIONS

The following transactions are exempt from the requirements of these Directives:

1.0 Taxes remitted by the mining sector to the Zambia Revenue Authority through the sale of foreign currency to the Bank of Zambia at the current Bank of Zambia mid-rate or an applicable exchange rate determined by the Bank.

This exemption allows the mining sector to continue remitting taxes to the Government through the sale of foreign currency to the Bank. The transaction will be executed using the current Bank of Zambia mid-rate or any other exchange rate determined by the Bank.

2.0 Tolls due in foreign currency to Government agencies.

This exemption permits persons who currently pay tolls in foreign currency to Government agencies to continue doing so. These tolls include payments for roads, border posts, bridges, and pontoons.

3.0 The following transactions may be settled in domestic currency or any other applicable currency:

a) Payment of a sum of money in or towards the satisfaction of a foreign currency liability with a financial product issuer or service provider, including dividends, principal, and interest thereof.

This exemption covers payments made to satisfy foreign currency obligations through a financial product issuer or service provider, which include dividends, principal amounts and interest. This extends to shares, investments, foreign currency loans, debt instruments, and other financial market products. These transactions are regulated by respective financial sector authorities as follows:

i) Financial services denominated in foreign currency or structured with a foreign currency component and regulated by the Bank of Zambia under the Banking and Financial Services Act, 2017

This provision covers transactions involving financial products that are either denominated in foreign currency or structured with a foreign currency component and provided by financial service providers regulated by the Bank of Zambia. These transactions may be settled in Kwacha or any other applicable currency.

ii) Securities denominated in foreign currency or structured with a foreign currency component and regulated by the Securities and Exchange Commission under the Securities Act, 2016

This provision covers transactions involving securities that are either denominated in foreign currency or structured with a foreign currency component as defined in the Securities Act, 2016. These securities are regulated by the Securities and Exchange Commission and may be settled in Kwacha or any other applicable currency.

iii) Insurance policies denominated in foreign currency or structured with a foreign currency component and regulated by the Pension and Insurance Authority under the Insurance Act, 2021

This provision covers transactions involving insurance products that are either denominated in foreign currency or structured with a foreign currency component as provided under the Insurance Act, 2021 and regulated by the Pension and Insurance Authority. These transactions may be settled in Kwacha or any other applicable currency.

(b)(i) Mining transactions involving payment for tolling services in the mining sector provided one of the parties remits taxes to the Zambia Revenue Authority through the sale of foreign currency to the Bank of Zambia.

This exemption applies to payments for tolling services where the processor (toller) processes raw materials or semi-finished goods for a mining company and charges a fee, provided at least one party to the transaction remits taxes to the Zambia Revenue Authority through the sale of foreign currency to the Bank. In such cases, payment for tolling services may be made in foreign currency.

(b)(ii) Mining transactions involving inter and intra-company sale of minerals and processed mineral products, provided one of the parties remits taxes to the Zambia Revenue Authority through the sale of foreign currency to the Bank of Zambia.

This exemption covers domestic transactions involving the sale of minerals or processed mineral products between companies in the mining sector. These transactions may occur between companies within the same legal entity (intra-company) or between separate legal entities (inter-company). Such transactions occur when a company involved in mining sells minerals to another involved in mining or in processing or a processing company sells processed mineral products (such as copper wire) to another processing company or mining company. Where either party to this transaction remits taxes to the Zambia Revenue Authority through the sale of foreign currency to the Bank of Zambia, payment for these transactions may be made in foreign currency.

(b)(iii) Mining transactions involving payment to suppliers for highly specialised mining equipment and components

This exemption applies to transactions involving the purchase of highly specialised mining equipment which refers to machinery and tools specifically designed for various tasks involved in mining operations, such as extraction, transportation, processing, and safety management. These tools are built to withstand the harsh conditions of mining environments, which often include heavy loads, extreme temperatures, and abrasive materials. Specialised mining equipment includes articulated dump trucks, bulldozers, draglines, jaw crushers, mining drill rigs, wheel loaders, mining excavators, motor graders, wheel tractor scrapers, explosives, mining tyres for heavy duty equipment, and underground mining trucks.

Foreign currency transactions for these purchases are permitted provided that at least one party to the transaction is engaged in mining and/or processing activities and remits taxes to the Zambia Revenue Authority through the sale of foreign currency to the Bank of Zambia.

(b)(iv) Mining transactions involving engineering services incidental to mining

This exemption covers transactions involving engineering services that are incidental to mining operations. These services encompass professional, technical, and advisory work that support various activities such as exploration, drilling, blasting, and extraction. Engineers or specialised firms typically provide these services.

For instance, contracting a firm to design and oversee the blasting operations for ore extraction from a mine qualifies as an engineering service incidental to mining. Payment for such services may be made in foreign currency where they are directly related to mining activities.

(c) Payment by non-resident for tourism services offered by tourism enterprises registered under the Tourism and Hospitality Act, 2015; and

This exemption permits any person who is licensed under the Tourism and Hospitality Act to carry on any registered tourist enterprise or operate a Duty-Free Shop to receive payments in foreign currency from foreign non-resident tourists to Zambia as payment for goods and services rendered. Tour operators serve as intermediaries in the tourism industry, promoting travel packages to both domestic and international tourists. These packages are classified as inbound (exports), outbound (imports), or domestic. Inbound packages are intended for non-resident tourists visiting Zambia, outbound packages are for Zambian residents traveling abroad, and domestic packages serve residents within Zambia. For inbound packages, tour operators are allowed to pay local tourism service providers, such as hotels, lodges, transportation companies, and tour guides, in foreign currency. For outbound packages, tour operators may accept payment from customers in a

currency other than the Zambian Kwacha. However, for domestic packages, residents are required to make payments in Kwacha.

The same principle applies to the air ticketing business. Air ticketing services are similarly classified as inbound (exports), outbound (imports), or domestic. Inbound services occur when a non-resident purchases a ticket from a domestic airline. Outbound services arise when a resident purchases a ticket from a foreign airline. Domestic services involve a resident purchasing a ticket from a domestic airline. Payments for inbound and outbound services may be made in foreign currencies, whereas payments for domestic services must be made in Kwacha. Accordingly, ticket agents are permitted to accept payments in foreign currency from customers for both inbound and outbound travel services and may remit these funds in the same currency to the respective airlines.

(d) Production, transmission, distribution and trading of electricity

This exemption covers electricity producers and traders that generate or sell electricity in the market to supply power to the grid.

(e) Enclaves of foreign governments and bodies

This exemption involves embassies and consular missions of sovereign nations as well as international and regional organisations to which the Zambian Government is a signatory, such as, the United Nations, International Monetary Fund, World Bank Group, Southern Africa Development Community, Common Market for Eastern and Southern Africa. These enclaves typically operate under international conventions and may conduct certain transactions in foreign currency as part of their diplomatic and institutional functions.

(f) Exports and imports

This exemption applies to export and import transactions that constitute cross-border dealings and therefore fall outside the scope of domestic transactions. Both export and import payments may be settled in foreign currency to facilitate settlement between parties located in different jurisdictions.

(g) Exports of agricultural products and gemstones through aggregators and auctions

This exemption applies to exports of certain agricultural products, such as coffee, tobacco, beef, and avocados, conducted through registered or licensed aggregators. Aggregators consolidate commodities from multiple producers and manage the export process. These aggregators, upon receiving export proceeds in foreign currency, will be authorised to remit these proceeds to producers in the same currency, thereby, recognising the producers as the principal exporters.

It also applies to exports of agricultural products and gemstones sold through auctions on regulated exchanges. The auctioneers of these commodities will be permitted to remit foreign currency proceeds to resident sellers, provided the buyers are non-residents. All transactions must comply with the Bank of Zambia (Export Proceeds Tracking Framework) Directives and relevant reporting systems.

(h) Payment by farmers to input suppliers for seeds, fertilizers, and chemicals supplied through trade credit.

This exemption applies to farmers who receive agricultural inputs such as seeds, fertilizers, and chemicals including pesticides, fungicides, and herbicides, on credit denominated in foreign currency from agricultural suppliers. Such farmers will be permitted to settle their trade credit obligations in the same foreign currency.