



Bank of Zambia

# EXPLANATORY NOTES TO THE BANK OF ZAMBIA FOREIGN EXCHANGE MARKET GUIDELINES

FRIDAY 24 MAY 2024

## 1.0 INTRODUCTION

These explanatory notes have been produced to clarify the clauses contained in the Bank of Zambia Foreign Exchange Market Guidelines (hereafter “the Guidelines”) that were issued and gazetted on 24<sup>th</sup> May, 2024 under Gazette Notice No. 525 of 2024. The Guidelines are aimed at enhancing transparency, efficiency, and effectiveness of the domestic foreign exchange market in Zambia. They are issued in exercise of the powers contained in Section 50 of the Bank of Zambia Act, 2022.

## 2.0 INTERPRETATION

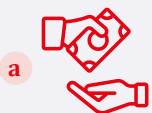
This section provides important definitions related to the implementation of the Guidelines.

## 3.0 APPLICATION

These Guidelines apply to persons undertaking transactions in the foreign exchange market. This means that everyone engaged in the buying and selling of foreign exchange must abide by these regulations, without exception.

## 4.0 TRANSACTIONS IN FOREIGN EXCHANGE MARKET

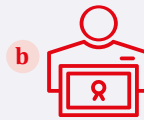
**(4) (1) A person conducting transactions in the foreign exchange market shall abide by the following provisions:**



**The buying or selling of foreign currency is prohibited unless one of the parties to the transaction is an Authorised Dealer.**

This clause means that when an individual or corporate entity intends to buy or sell foreign

exchange, they must engage a commercial bank, bureau or any other financial institution licensed by the Bank of Zambia to carry out foreign exchange operations. This applies to all transactions involving the buying and selling of foreign currency in Zambia.



**For a person resident or registered to operate in Zambia, the trading of Kwacha for foreign currency shall only be done with an Authorised Dealer.**

This means that any person resident in Zambia or any corporate entity registered to operate in Zambia shall only transact (that is, buy or sell Kwacha) with a local commercial bank, bureau or any other financial institution licensed by the Bank of Zambia to carry out foreign exchange operations. In other words, the buying or selling of foreign exchange against the Kwacha by any person resident in Zambia or any corporate entity registered to operate in Zambia is only allowed when conducted with a local commercial bank, bureau or any other financial institution licensed by the Bank of Zambia to carry out foreign exchange operations.



**A person buying or selling foreign currency for Kwacha in quantities up to the prescribed negotiable amount shall transact at rates displayed on the Authorised Dealers' Board rates. Amounts above the negotiable amount may be transacted at negotiable rates.**

This means that any person or corporate entity that wishes to buy or sell foreign currency shall deal at the displayed board rates for amounts less than the prescribed negotiable amount. Any amounts above this threshold may be negotiated.

For example, if the prescribed negotiable amount is US\$1,000,000, this means that the person or corporate entity trading below US\$1,000,000 cannot engage in any negotiation for a price but will only use the board rates as displayed by the financial institution that one is dealing with.

However, if the amount is equal to or exceeds the prescribed negotiable amount (in this example, US\$1,000,000), the person or corporate entity can negotiate for a price.

**(4)(2) A person who contravenes this part commits an offence and is liable, on conviction, to a fine not exceeding two thousand five hundred penalty units or to imprisonment for a term not exceeding two years, or to both.**

**(4) (3) The Bank may impose an administrative penalty on a person for failure to comply with a provision of these Guidelines as prescribed.**



These clauses mean that any person or corporate entity that violates these Guidelines is liable, on conviction, to a monetary fine or imprisonment or both. Administrative penalties may also be applied in instances of non-compliance.

## 5.0 FURNISHING OF INFORMATION

**(5) The Bank of Zambia may require a person to provide it with information relating to that person's transactions in the foreign exchange market.**



This means that the Bank of Zambia may contact a person or institution to obtain information related to their transactions in the foreign exchange market in order to promote compliance with the law.

**These Guidelines are with effect from 24<sup>th</sup> May, 2024**

**For further information, please contact:**

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