



GENERAL MANAGER'S OFFICE

BANK OF ZAMBIA  
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11 March 1994

C B Circular No. 3/94

TO : ALL COMMERCIAL BANKS AND BUREAUX DE CHANGE

FOREIGN EXCHANGE CONTROL LIBERALISATION

As Commercial Banks are aware, the Minister of Finance in his Budget Address to the National Assembly announced the suspension of the Exchange Control Act with effect from January 28, 1994.

The effect of this measure is to permit full convertibility of the Kwacha and completely free current account and capital account transactions. There are, however, a few areas which will continue to be regulated by the Bank of Zambia as set out in the Bank of Zambia (Foreign Currency) Regulations, 1994 Statutory Instrument No. 44 dated 4th March 1994. These residual powers will ensure an orderly transition to the new environment and promote stability in the financial markets.

The specific areas in which the Bank of Zambia has powers to regulate are:

- regulating the foreign exchange activities of commercial banks. This provision will shortly be replaced by a similar power under the forthcoming Banking and Financial Services Act. Operations of foreign currency accounts will be supervised under this provision.
- supervising the establishment and operation of bureaux de change. The Statutory Instrument No. 44 has been issued with regulations similar, in respect of licensing procedures, to those existing until 28 January 1994.

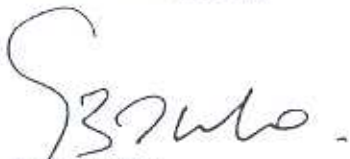
- requiring ZCCM to sell part or all of its foreign exchange earnings to the Bank of Zambia. The power to require surrender of foreign exchange earnings reflects the current lack of depth in the local foreign exchange market, and our recognition of ZCCM's potentially dominant position. As a deeper foreign exchange market develops, and non-traditional exports become increasingly significant, these restrictions will be phased out.

- maintaining the requirement of prior approval of the Bank of Zambia for principal and/or interest payments on foreign currency borrowing incurred prior to 28 January, 1994. Debt incurred after 28 January 1994, may be serviced without restriction, although new loan agreements entered into must be lodged with the Bank of Zambia for statistical purposes.

All other capital remittances are now permissible and may be effected without requiring prior approval of the Bank of Zambia. The OGL system will, however, continue to operate as at present.

Commercial Banks are advised to treat C.B. Circular No. 2/94 dated 9 March 1994 as cancelled.

Yours faithfully

  
G. B. MBULO  
GENERAL MANAGER

*With the Compliments*

*of*

*The General Manager*

**Bank of Zambia**

**14th March 1994**

**N.B.: C B Circular No.3/94  
dated 11th March 1994  
supercedes C B Circular  
No.1/94 dated 9th March  
1994.**

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