



GENERAL MANAGER'S OFFICE

28 November 1994

BANK OF ZAMBIA
P.O. BOX 30080 LUSAKA
10101
TEL: 228888/228903-20
FAX 222808

C B Circular No. 14/94

TO: ALL COMMERCIAL BANKS

Dear Sirs

RE: FOREIGN CURRENCY EXPOSURE

You are hereby notified that the Bank of Zambia has determined that the maximum mismatch between a bank's total foreign assets and liabilities should be equivalent to 25 percent of the bank's capital and reserves. So, with effect from 31st December, 1994, all commercial banks will be required to observe, with regard to their foreign currency exposure, open position limits equivalent to not more than 25 percent of their total capital and reserves.

Following the liberalization of the economy and the lifting of exchange control regulations, commercial banks are now undertaking more business denominated in foreign currencies. In addition, the introduction of a market determined exchange rate has increased the susceptibility of banks' exposure to foreign currency risk. The risk of the relative values of currencies changing could lead to exchange losses for the banks concerned. Therefore banks have to watch closely the mismatch between foreign assets and foreign liabilities.

Commercial banks will be required to report at the end of each calendar month their foreign currency exposure on the attached return FMX3. The report should reach the Director, Bank Supervision, by the 10th day of the following month.

This return does not replace Forms FMX1 and FMX2. These two daily returns shall continue to be submitted in their present format except for some minor changes. On Form FMX1, forwards, options and futures will have to be shown separately from other purchases and sales. On Form FMX2 applicable exchange rates will not only be confined to cash transactions as has been the case hitherto.

There may well be exposures outstanding on the books of some commercial banks after 31st December which exceed the 25 percent limit. Banks which expect to have such an exposure should seek permission from the Bank of Zambia by writing to the Director, Bank Supervision Department, not later than 20th December 1994, setting

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out details of such exposures along with a timetable for bringing the exposures within the stipulated limit of 25 percent of capital and reserves.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'G B MBULO'.

G B MBULO
GENERAL MANAGER

Encl:

BANK OF ZAMBIA

FOREIGN EXCHANGE MARKET DAILY TRANSACTION RETURN

FORM FMX1

DAILY
RETURN

(Confidential and not available for inspection by the public)

Name of Bank
At close of business on 19

(All amounts to be converted and rounded off to the nearest US\$'000)

Line No.	US Dollar 1	£ Sterling 2	SA Rand	Other 4	Total in US\$ 5
1.					
Opening position: (Previous Day's Closing Position)					
2 (a) Purchases from BOZ					
(b) Sales to BOZ					
(c) Net (a - b)					
3 Inter-Currency Transfers					
4 (a) Purchases from Other Banks					
(b) Purchases from Forex Bureaux					
(c) Sales to Other Banks					
(d) Sales to Forex Bureaux					
(e) Net (a + b) - (c + d)					
5 (a) Purchases - Forward contracts					
- Options and futures					
(b) Sales - Forward contracts					
- Options and futures					
(c) Net (a - b)					
6 (a) All other Purchases					
(b) All other Sales					
(c) Net (a - b)					
7 Valuation Effects: Appreciation/ Depreciation of US dollar against the GBS, SAR and Other Currencies					
8. Closing Position:					

Authorised Signatory

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BANK OF ZAMBIA

FORM FMX2

DAILY
RETURN

FOREIGN EXCHANGE MARKET DAILY RATES RETURN

(Confidential and not available for inspection by the public)

Name of Bank

At close of business on

(Previous Business Day)

19

(US \$ Equivalent) [i] & [ii]

Line No.	BUYING	SELLING
1.		
	Weighted Average Exchange Rate for Transactions With:	
	(a) Retail Clients [iii]	
	(b) Corporate Clients [iv]	
	(c) Bureau de Change	
	(d) Bank of Zambia	
	(e) Other Banks	
2.		
	Indicative Retail Rates:	
	(a) UK Pound Sterling	
	(b) South African Rand	

Authorized Signatory

Title

NOTES

[i] US \$ Equivalent

Transactions in currencies other than US dollars should be converted into US \$ equivalent against Kwacha by use of international cross-currency rates ruling at the close of each day.

[ii] Applicable Exchange Rates:

Only use exchange rates that are applicable to cash transactions (and not rates applicable to travellers' cheques).

[iii] Retail Transactions:

All customer transactions of up to \$10,000 in value (except for bureau de change transactions which, though small, must go into category (c) above, irrespective of size).

[iv] Corporate Transactions:

All transactions with customers, whether corporate or individual (but excluding transactions with Bank of Zambia, bureaux and

B A N K O F Z A M B I A

FORM FMX3
CONSOLIDATED
MONTHLY
RETURN

RETURN ON BANKS' FOREIGN CURRENCY EXPOSURE

(Confidential and not available for inspection by the public)

Name of Bank
At close of business on 19

(All amounts to be converted and rounded off to the nearest US \$'000)

Foreign Currency Exposures	Line No.	US Dollar 1	£ Sterling 2	SA Rand	Other 4	Total in US\$ 5
Total Foreign Currency Assets as Per B/S (Includes Loans, statutory deposits and Investments denominated in Foreign Currency)	1					
Commitments to purchase under forward contracts at ruling market values	2					
Total Foreign Currency Liabilities per Balance Sheet (Includes Foreign Funding, Borrowings, Deposits, Capital denominated in Hard Currency, e.t.c.)	3					
Commitments to sell under forward contracts at ruling market values	4					
Net long/short position(s) in options and futures contracts in foreign currency	5					
Aggregate effective net open foreign currency position(s) of H/O (reporting bank) Total [Items (1 + 2) - (3 + 4) + Item 5]	6					
Aggregate effective net open foreign currency position(s) of all foreign branches and subsidiaries as reported to H/O included in item 6 above	7					
Limit: 25% of capital and reserves as at latest date for which the relevant audited balance sheet was submitted, converted to US\$	8					
Excess over Limit (Excess of line 6 over line 8)	9					
Internal overnight limits set by board/Management (in respect of each individual currency and in the aggregate)	10					

Authorised Signatory

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Title

Title