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BANK OF ZAMBIA

P.O. Box 30080 Lusaka
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30 November 1994

C B Circular No. 16/94

To : All Commercial Banks

Dear Sirs

FUTURE OF THE OPEN GENERAL LICENCE (OGL) SYSTEM

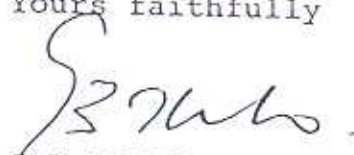
This circular amends the provisions of A D Circular No.1/90 dated February 13, 1990 under which the Open General Licence (OGL) was established.

The Open General Licence import licence has since its establishment played a prominent role in the administration of import financing in the country. Sustained implementation of the Structural Adjustment Programme over the past three years has led to the attainment of more stable macro-economic conditions in the country, while over the same period the management of the foreign exchange market has been completely liberalised.

In the light of positive developments in the foreign exchange market the Bank of Zambia will as from December 1, 1994, phase out the OGL system. It is our belief that time has come for the OGL system to be replaced by the inter-bank market dealing system which has run in parallel to the OGL since December 1993. Under this arrangement all applications for imports will be received and processed by the commercial banks.

The envisaged operational modalities of the new system will be as set out in the attached appendix. Commercial banks are invited to contact the Bank of Zambia should they require some clarifications on any of the provisions of this Circular.

Yours faithfully

A handwritten signature in dark ink, appearing to read 'G B MBULO', written over the typed name.

G B MBULO
GENERAL MANAGER

Encl:

BANK OF ZAMBIA

MODALITIES OF THE PROPOSED EXCHANGE SYSTEM

1. Import applications will continue to be received by the commercial banks. Applications will be processed in the same manner as imports financed through the retention market are being processed.
2. The current short negative list of the retention market will also continue to be observed.
3. Under this arrangement all Pre-Shipment Inspection (PSI) formalities will be required to be fulfilled by importers as is the case at the present moment.
4. In the event that a given commercial bank does not hold sufficient foreign exchange cover for imports it will source the required additional foreign exchange from either the inter-bank market or Bank of Zambia foreign exchange dealing window.
5. All rules governing the Bank of Zambia operated dealing system will remain unchanged. The Bank will also maintain the same frequency of dealings per week.
6. The Bank of Zambia official exchange rate will continue to be derived from the commercial banks' weighted retail exchange rates.
7. All commercial banks will be required as from December 2, 1994 to submit to the Bank of Zambia by the close of every working day the following returns:

Foreign Exchange daily transactions return - FXM 1

Foreign Exchange daily exchange return - FXM 2

It is a requirement that all commercial banks shall adhere to the proposed changes for submitting these returns.

NOVEMBER 1994