



Bank Of Zambia

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

December 16, 2013

CB Circular No. : 21/2013

To : All Commercial Banks

REVISED INTERBANK FOREIGN EXCHANGE MARKET (IFEM) FRAMEWORK

As part of the continued efforts to develop and strengthen the foreign exchange market, the Bank of Zambia has, in consultation with ACI Zambia and the Bankers Association of Zambia (BAZ), revised the Interbank Foreign Exchange Market (IFEM) Framework. The major changes to the IFEM Framework are as follows:

1. The Marketable amount for a two-way quote has been revised to US\$1.0 million from the current range of US\$0.5 million – US\$1.0 million. The Marketable amount of US\$1.0 million is consistent with the growth of the market and it is more reasonable to attach a quote (price) to a specific amount rather than a range.
2. The Bid/Ask Spread has been reduced from K0.02 to K0.01 in order to enhance market liquidity and efficiency.
3. New personnel in Front (dealing) and Back Office shall within six (6) months of engagement acquire the ACI qualification.
4. In respect of foreign exchange transactions, late settlement of US dollar and Kwacha shall attract a penalty charge of LIBOR + 3% and Bank of Zambia Overnight Lending rate, respectively.

The revised Interbank Foreign Exchange Market Framework, herewith attached, and all the above changes shall take effect immediately.

The Bank of Zambia wishes to reiterate the need for commercial banks to comply with the Foreign Exchange Market Code of Conduct in order to facilitate smooth and efficient functioning of the market.

Bwalya K.E. Ng'andu (Dr)
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