



Bank of Zambia

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

BOZ/EXEC/DGO/fmkt/bp

June 11, 2024

CB Circular No. : 12/2024

To : All Heads of Commercial Banks

AMENDMENTS TO THE INTERBANK FOREIGN EXCHANGE MARKET RULES

Reference is made to CB Circular No. 28/2020, dated November 6, 2020, on the above subject.

In our continued efforts to improve transparency and strengthen the operations of the domestic foreign exchange market, the Interbank Foreign Exchange Market (IFEM) Rules have been revised in consultation with the market participants. Against this background, commercial banks are hereby advised as follows:

- i. The revised IFEM Rules are effective Friday, June 14, 2024;
- ii. Clause 2.13 – An Authorised Dealer must have ACI Dealing certified front office personnel (treasury, dealing and sales), ACI Operations certified back-office personnel, and either ACI dealing or operations certified middle-office personnel;
- iii. Clause 3.9 – Update retail exchange rates at 09:30 hours, 12:30 hours and 15:30 hours or at other times prescribed by the Bank of Zambia. However, banks are at liberty to update the retail rates at any other time as they see fit. The retail rates shall be aligned to the interbank exchange rates in such a way that interbank rates (wholesale market) fall within the retail rates. This implies that the retail bid cannot be above the interbank bid and the retail offer cannot be below the interbank offer;
- iv. Clause 3.12 – Ensure that at the beginning of each year, all front office heads and personnel attest to these Rules and the Foreign Exchange Market Code of Conduct Guidelines. Front office heads and personnel must sign and submit to the Bank of Zambia a letter of attestation in the prescribed format;
- v. Clause 3.13 – Ensure that new personnel in the front-office, the middle-office and the back-office who may not possess the prescribed ACI qualifications acquire the same within six (6) months of joining these sections;


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- vi. Clause 4.6 – The Bank of Zambia may from time to time announce when it will be in the market;
 - vii. Clause 4.13 – The Bank of Zambia shall prescribe the minimum transaction amount at which an Authorised Dealer may negotiate with its clients;
 - viii. The prescribed negotiable amount shall be US\$1 million and above;
 - ix. Clause 4.14 – The Bank of Zambia, on assessment of the prevailing market conditions, shall allow Authorised Dealers to provide indicative pricing for a prescribed marketable threshold when requested by another Authorised Dealer;
 - x. Clause 6.7 – Subject to Clause 4.13, an Authorised Dealer shall transact with clients at the respective board rates for any amounts below the prescribed negotiable amount.
 - xi. Clause 7.2 – Late settlement of United States (US) dollar and Kwacha shall attract a penalty charge of Secured Overnight Financing Rate (SOFR) plus 3% and Bank of Zambia Overnight Lending Rate, respectively; and
 - xii. The Constrained Pricing Mechanism clause shall no longer apply.

The Bank of Zambia will continue to closely monitor the developments in the foreign exchange market and to provide further guidance when necessary.

For further clarification, commercial banks are advised to contact the Bank of Zambia's Financial Markets Department.

The IFEM Rules are hereby attached for your reference.


Francis Chipimo (PhD)
DEPUTY GOVERNOR – OPERATIONS

cc Governor