



Bank of Zambia

Bank of Zambia Balance of Payments Monitoring Guide (2019)

BOP Monitoring Unit

DOCUMENT INFORMATION AUTHOR	Bank of Zambia – External Capital Flows Unit
VERSION	1.00
FUNCTION	Balance of Payments Monitoring
STATUS	Work in Progress
FUNCTION AUTHORITY	Bank of Zambia Amendment Act No. 1 of 2013

1.0 Introduction and Purpose

The Bank of Zambia Amendment Act No, 1 of 2013 empowered the Bank of Zambia (the Bank) to put in place a balance of payments monitoring framework to promote the efficiency of the foreign exchange system (See attached copy of Act in Appendix 1). The Government of the Republic of Zambia issued Statutory Instrument No. 55 (SI 55) effective 1 July 2013 as an implementation tool for monitoring Balance of Payments. However, following complaints by the business community, SI 55 was revoked on 21 March 2014 pending further consultations with stakeholders. Consultations have since been held with the Ministry of Finance and several other stakeholders which include the Zambia Revenue Authority. To this effect, it was resolved that the Bank designs a Balance of Payments Monitoring System in line with the provisions of the Bank of Zambia Amendment Act No. 1 of 2013.

The Bank proposes to put in place an electronic monitoring framework, as outlined in this paper. In this framework, Financial Service Providers (FSPs) shall be the **KEY** stakeholders in the implementation process, as they will be required to (i) develop electronic systems that will interface with the Bank of Zambia electronic balance of payments (eBoP) system and (ii) submit a Money Remittance/Receipt Return on a monthly basis. The Bank, therefore, proposes to issue this guide to assist FSPs in the effective implementation of the system, which came into effect on 30th March 2019. The other key stakeholder is the Zambia Revenue Authority from whom the Bank will collect exports' and imports' statistics on a monthly basis.

2.0 Transactions to be monitored

The Amendment Act empowers the Bank to take measures to monitor all cross-border inflows and outflows of foreign exchange and all transactions relevant to the country's balance of payments.

In line with the Act, the Bank will monitor the following transactions:

- a) Foreign Exchange inflows and outflows;
- b) The value of imports and exports of goods and their related outflows and inflows;
- c) International Transactions in Services;
- d) International transfers to or from non-residents;
- e) Profits or dividends received in respect of investments abroad;
- f) Borrowings and lending from and to non-residents;
- g) Investments in the form of equity and debt securities abroad;
- h) Receipts of both principal and interest on loans extended to non-residents; and,
- i) Remittances of both principal and interest on loans from non-residents.

3.0 Monitoring Framework

The Bank has designed an electronic monthly return called Money Remittance and Receipt Return (MRRR) that all registered FSPs in Zambia shall fill in and submit to the Bank. It is mandatory for FSPs (involved in cross-border financial transaction) to complete and correctly fill in all the fields. In this regard, FSPs are required to report all cross-border foreign exchange transactions to residents and from non-residents using this return. It should be noted that non - Zambian residents or Zambian residents include all natural persons and corporate persons. For the purpose of reporting these transactions, all entities that enjoy diplomatic immunities and privileges are excluded from this framework except where the cross border transaction is between a Zambian resident and a diplomatic entity.

4.0 The MRRR and its Features

The proposed MRRR is attached herewith as Annex 2. The Return has fields and columns to be filled in numbered from one through 14 and has the following features, which are explained below.

4.1 ZM-BOPM-MRRR-01

This feature simply identifies the return and should not be erased or tampered with.

4.2 Bank Name and Bank Code

All FSPs are required to fill in the FSP name and the three-letter bank code in the space provided. This code has been provide by the Bank of Zambia.

4.3 Financial Year

The financial year is given as 2019 and will change as the calendar year ends.

4.4 Start Date and End Dates

These refer to the start date and end date of the month being reported on.

4.5 System Transaction No. in Column 1

Each FSP is required to fill in the system transaction number in column 1 of the return. This is the system transaction number generated at an FSP when the transaction takes place. Each FSP is required to maintain the system transactions numbers securely in case the Bank of Zambia needs to do a follow-up.

4.6 Date of Remittance/Receipt in Column 2

This is the date the FSP sends (Remittance) or receives (Receipt) the foreign exchange. The FSP will report on all cross-border remittances and receipts including its own operations and transactions on Vostro accounts held on the books of FSPs registered in Zambia.

4.7 Type of Transaction (Remittance/Receipt) – Column 3

Column 3 requires that FSPs indicate whether the transaction is a remittance or a receipt. As the case may be, the FSP shall enter either Remittance or Receipt only in this column.

4.8. Name of Local Remitter or Receiver of Funds – Column 4

Column 4 requires the FSP to indicate the name of the Zambian Resident sending or receiving funds.

4.9 TPIN No - Column 5

In column 5, the FSP is required to fill in the Tax Identification Number (TPIN) for corporates and individuals who have TPINs. This means all transacting clients should have TPINs, as this is mandatory. This field should not by any circumstances be left blank.

4.10 Name of Bank Branch – Column 6

In column 6, the FSP is required to enter the name of the branch where the transaction took place.

4.11 Amount – Column 7

The amount of the transactions being reported is entered in column 7. The format should include the thousand separator and the two decimal points at the end of the figure, e.g. 3,455.12.

4.12 Currency – Column 8

In column 8, the FSP is required to indicate the symbol of the currency of the transaction in capital letters, e.g. USD.

4.13 Kwacha Equivalent – Column 9

In column 9, the FSP is required to convert and fill in the foreign currency transaction to the Kwacha equivalent using the current exchange rate being used by the FSP at the time of the respective transaction.

4.14 Name of Foreign Beneficiary/Remitter – Column 10

In column 10, the FSP is required to fill in the name of the foreign entity (non-Zambian Resident) receiving funds (beneficiary) from Zambia or sending funds to Zambia (remitter).

4.15 Commercial Invoice Number – Column 11

FSPs are required to enter the commercial invoice number for each transaction reported on the MRRR.

4.16 Source/Destination Country – Column 12

FSPs are required to indicate the name of the country where the funds are going (destination) or where the funds are coming from (Source) in column 12.

4.16 Purpose of Transaction – Column 13

Column 13 requires FSPs to identify the purpose of the concerned transaction. FSPs are encouraged to categorize transactions as per the classification provided by the Bank in Annex 3 herewith attached. Further, FSPs are required to enter only the codes provided in the Annex.

4.17 Sector of Local Remitter/Receiver – Column 14

FSPs are required to identify the sector of the local Zambian resident who is sending the funds (remitter) or receiving the funds in column 14. FSPs are further required to use sectors only categorised and provided by the Bank in Annex 4 and enter codes only.

5.0 Submission of Correct and Complete Returns

All financial service providers are required to check that all required fields in the Money Remittance/Receipt Return 1 are completed and verify the correctness and completeness of the return prior to submission of the return. The return shall be submitted electronically to the Bank through e-BoP Module. Individual FSPs shall be held accountable for false, incorrect or late submission of returns and sanctions may be enforced by the Bank for breach of the Act as prescribed in section 9.0 below.

6.0. Returns by Registered FSPs to the Bank

The Bank of Zambia Act, Regulation 54 (1) stipulates that the Bank may require any person to provide such information as it may specify. In this regard all registered FSPs in Zambia shall be required to submit monthly BoP Money Remittance/Receipt monitoring returns to the Bank on all foreign exchange remittances and receipts. The returns shall be submitted to the bank by the 6th working day of the month for all cross-border transactions relating to the previous month.

7.0 Adapting FSPs' Money Remittance/Receipt Clients' Application Forms to the BoZ MRRR

For uniformity and consistency purposes, FSPs are strongly encouraged to adapt their clients' money remittance and receipt application forms to the provisions appearing on the BoZ MRRR.

8.0 Applicability of Anti-Money Laundering Measures/Combating of Financing of Terrorism

Financial service providers are the first in the line of defence in fighting financial crimes such as money laundering. As such, financial service providers are reminded of their obligations under the various laws in relation to anti-money laundering and combating financing of

terrorism. Financial service providers should not construe these guidelines as an exemption from any of the following laws; the Prohibition and Prevention of Money Laundering Act (2001), Financial Intelligence Centre Act (2010) and the Forfeiture of Proceeds of Crime Act (2010).

9.0 Penalty for Non-adherence to Requirements of BoZ Amendment Act No.1 of 2013.

Under the Amendment Act No. 1 of 2013, a person who commits an offence under the Act is liable, upon conviction, to a fine not exceeding three million penalty units or to imprisonment for a term not exceeding five years, or to both. A penalty unit is equivalent to K0.18 (rebased).

Issued by the Bank of Zambia

P.O. Box 30080

Lusaka

ZambiaTel: +260-211-399300/

Email: monitoringbalanceofpayments@boz.zm Website: <http://www.boz.zm>

ANNEX 1: BANK OF ZAMBIA AMENDMENT ACT NO.1 OF 2013

GOVERNMENT OF ZAMBIA

ACT

No. 1 of 2013

Date of Assent: 21st March, 2013

An Act to amend the Bank of Zambia Act.

[22nd March, 2013

ENACTED by the Parliament of Zambia.

Enactment

1. This Act may be cited as the Bank of Zambia (Amendment) Act, 2013, and shall be read as one with the Bank of Zambia Act, in this Act referred to as the principal Act.

Short title
Cap. 360

2. The principal Act is amended by the insertion, immediately after section forty, of the following new section:

Insertion of
new section
40A

40A. The Bank may, to promote the efficient operation of the foreign exchange system, take measures to monitor—

Monitoring
of balance of
payments

- (a) foreign exchange inflows and outflows and amounts remitted;
- (b) imports and exports of goods and other inflows and outflows;
- (c) international transactions in services;
- (d) international transfers to or from non-residents;
- (e) profits or dividends received in respect of investments abroad;
- (f) borrowings and trade credits from non-residents;
- (g) investment in the form of equity and debt securities abroad;
- (h) receipts of both principal and interest on loans to non-residents; and
- (i) international money transfers into and out of Zambia.

3. The principal Act is amended by the insertion, immediately after section forty-four, of the following new section:

Insertion of
new section
44A

Single copies of this Act may be obtained from the Government Printer, P.O. Box 30136, 10101 Lusaka, Price K 1.00 each.

2 No. 1 of 2013] Bank of Zambia (Amendment)

Interest rates and other charges by financial service providers

44A. The Bank may, in support of price and financial system stability, regulate the rate of interest and other charges that financial service providers may impose on a banking transaction.

Insertion of new section 56A

4. The principal Act is amended by the insertion, immediately after section *fifty-six*, of the following new section:

General penalty

56A. A person who commits an offence under this Act for which no penalty is specifically provided is liable, upon conviction, to a fine not exceeding three million penalty units or to imprisonment for a term not exceeding five years, or to both.

**ANNEX 3: CLASSIFICATION OF PURPOSE OF TRANSACTIONS TO BE ENTERED IN
COLUMN 13 OF THE MONEY REMITTANCE/RECEIPT RETURN (MRRR)**

**ANNEX 4: CLASSIFICATION OF SECTORS OF LOCAL REMITTER/RECEIVER IN COLUMN
14 OF THE BOPM RETURN**