



INTRODUCTION OF A FOREIGN EXCHANGE AUCTION TRADING SYSTEM

Further to the Bank's Press Statement of 8 June 2020 by which the Monetary Policy Committee advised that a formal market-based foreign exchange trading system will be put in place, the Bank wishes to advise the public that the Foreign Exchange Auction Trading System will be operational with effect from 23 June 2020.

The adoption of a Foreign Currency Auction System is expected to bring transparency and efficiency in the trading of foreign currency in the economy. The salient features of this Auction System will be as follows:

1. Bidding Conditions and Qualifying Criteria

Bidding on the Foreign Exchange Auction Market will be on the following terms and conditions:

- i. Bidders will submit their bids as individuals, firms and public enterprises through their Authorised Dealers (banks);
- ii. Bidders will only submit one bid per auction. In cases where the bidder submits two or more bids, all the bids shall be rejected;
- iii. Allotment of foreign currency to winning bids will be based on the Import Priority List;
- iv. The auction will only accept bids for a minimum amount of US\$50,000 and a maximum of US\$500,000 from each bidder per auction;
- v. The bidding platform shall be the Reuters Foreign Currency Auction System, which shall be linked to the Computerised Export Payments Exchange Control System (CEPECS) and Computerised Exchange Control Batch Application System (CEBAS);
- vi. All bids will be in United States dollars (US\$);
- vii. Successful bids shall be allotted in full but if funds are not enough, allotments shall be on a *pro-rata* basis;

DISTRIBUTED BY VERITAS

e-mail: veritas@mango.zw; website: www.veritaszim.net

Veritas makes every effort to ensure the provision of reliable information,
but cannot take legal responsibility for information supplied.

A handwritten signature in black ink, appearing to be 'J. M. M.' or similar, located in the bottom right corner of the page.

- viii. Foreign currency will be allotted at each bidder's own bid rate, starting from the highest bid rate until the amount on auction is fully allotted; and
- ix. A weighted average rate will be calculated based on allotments, and the average rate will be used as the market exchange rate until a new weighted average rate is determined at a subsequent auction.

Authorised Dealers will be required to serve all importers and users of foreign currency in between the auction days at the ruling market rate. The crawling exchange rate, which will be adjusted in line with economic fundamentals from time to time, shall only be used for Government and debt service (including blocked funds) transactions.

2. Information to be included in bids

- 2.1. Importers will bid for foreign currency on an approved Bid Form through their Authorised Dealers and provide the following information:
 - i. Name of Authorised Dealer;
 - ii. Name of Applicant;
 - iii. Type of transaction and sector category;
 - iv. Bid Amount in US\$;
 - v. Bid rate;
 - vi. The Zimbabwe Dollar (ZW\$) equivalent;
 - vii. FCA balance declaration; and
 - viii. Relevant import invoice (s).

3. Information to be submitted by Authorized Dealers on the bidding platform

- 3.1. Authorised Dealers shall submit to the following information when making bids on behalf of their clients:
 - 3.1.1. Name of Authorised Dealer;
 - 3.1.2. Name of applicant;
 - 3.1.3. Bid amount in US\$;
 - 3.1.4. Bid Rate;
 - 3.1.5. Purpose; and
 - 3.1.6. Sector category.

4. Bidding Timelines

- 4.1. The Auction will be conducted once every week on Tuesdays.



- 4.2. Where the Auction date falls on a public holiday, the Auction will be conducted on the next business day which is not a public holiday.
- 4.3. Cut-off time for submission of bids will be 0900 hours on the day of the Auction.
- 4.4. Auction results will be released and published by 1630 hours on the Auction day.

5. Settlement

- 5.1. Payment for winning bids will be made through the Zimbabwe Electronic Transfer and Settlement System (ZETSS) on a T+1 basis.
- 5.2. The Bank will transfer the foreign currency to the Nostro account of the winning bidders' Authorised Dealer, after receiving the ZW\$ equivalent. In line with international best practice, settlement of funds transferred to the Nostro account will be on a T + 2 basis.

6. Market Discipline

- 6.1. Any entity found participating on the Auction for the sake of currency manipulation shall be disqualified from participating on the Auction System.
- 6.2. Entities with positive balances in their Nostro accounts will be disqualified from participating on the Auction System unless they provide justification.
- 6.3. The Exchange Control flagging system will be used to identify delinquent participants and as a result:
 - Bids by Red Flagged entities with overdue Forms CD1 shall be disqualified at Authorised Dealer level. Entities must comply with regulations applicable to the repatriation of export proceeds to the country ;
 - Entities with overdue and unacquitted Bills of Entry shall be disqualified; and
 - Third party bidding shall not be permitted.

7. Publication of Results

- 7.1. At the end of each auction, the following information will be published:
 - i. Amount on Offer (US\$);



- ii. Total Number of Bids;
- iii. Total Amount of Bids Received (US\$);
- iv. Amount Allotted: (US\$);
- v. Number of Rejected Bids;
- vi. Highest Bid Rate Accepted: ZW\$/US\$;
- vii. Lowest Bid Rate Accepted: ZW\$/US\$; and
- viii. Weighted Average Auction Rate: ZW\$/US\$.

8. *Funding of the Foreign Exchange Auction System*

The Foreign Exchange Auction System shall be funded from:-

- i. Offshore facilities arranged by the Bank;
- ii. Foreign currency availed through surrender requirements, which will be liquidated at the prevailing market rate, and export proceeds liquidations upon expiry of the 30-day retention period; and
- iii. Foreign currency exchanged by exporters and free funds holders through the banking system at the prevailing market rate.

9. *Dual Pricing System*

In order to enhance the efficient pricing system in the economy, businesses will be required to display prices for goods and services and charge for all domestic transactions in both local and foreign currency at the ruling market rate.


John P Mangudya
Governor

17 June 2020