



BANK of ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

BOZ/EXEC/DGO/fmkts/bp

March 24, 2020

CB Circular No. : 09/2020

To : All Heads of Commercial Banks

AMENDMENTS TO THE INTERBANK FOREIGN EXCHANGE MARKET RULES

Reference is made to CB Circular No. 23/2015 dated November 30, 2015 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 Thursday, March 26, 2020;
- (ii) Rule 9.0 relating to Foreign Exchange Brokers shall come into effect one month after the Rules become effective. In the meantime, commercial banks can continue utilizing the services of the brokers as before;
- (iii) Under the Constrained Pricing Mechanism, commercial banks are further advised that the number of pips is set at 15;
- (iv) The marketable threshold for a two-way quote shall be maintained at US\$0.5 million to US\$1.0 million and be applicable only to the interbank market;
- (v) The spread between the bid/offer rates in the interbank market shall be maintained at K0.05; and
- (vi) The spread between the bid/offer rates in the retail market shall be maintained at 2 percent.

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