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PRESS STATEMENT ON THE PAYMENT ARRANGEMENTS FOR FUEL THROUGH THE INTERBANK FOREIGN EXCHANGE MARKET AND THE DRAWING DOWN OF USD500 MILLION OFFSHORE LINE OF CREDIT

The Reserve Bank of Zimbabwe (the 'Bank') is pleased to advise the public that with effect from 21 May 2019, the procurement of fuel by the Oil Marketing Companies (OMCs) shall be done through the interbank foreign exchange market. There shall be only one foreign exchange rate to be used in the market for the importation of all goods and services. This means that the 1:1 exchange rate that was being used by OMCs for the procurement of fuel will be discontinued with immediate effect.

The new position is necessary to promote the efficient use of foreign exchange and to minimize and guard against incidences of arbitrage within the economy.

As previously advised, the Bank is proceeding to make a drawdown of US$500 million from an offshore line of credit to supplement the Country's foreign exchange receipts in order to underpin the interbank foreign exchange market for the purposes of meeting foreign payment requirements of businesses and individuals. The facility will be disbursed into the economy through the interbank foreign exchange framework at the prevailing interbank foreign exchange rate on a willing-seller willing-buyer basis.

Over and above these initiatives, Letters of Credit (LCs) shall continue to be used for the importation of essential commodities such as fuel, grain and cooking oil. The LCs will also be priced at the prevailing interbank foreign exchange rates.

The Bank has directed banks to effectively apply the willing-seller willing-buyer principle to ensure that the interbank foreign exchange market is reflective of market conditions. Accordingly, banks must ensure that there are no moral hazards in the operation of the interbank foreign exchange market. In this regard, all the foreign exchange requirements for banks for their own use that includes dividend payments, subscription fees, etc. would need prior Exchange Control approval for the proper conduct of the interbank foreign exchange market. Similarly, banks should discontinue twinning arrangements for their customers as this undermines the efficient operation of the interbank foreign exchange market.

J P MANGUDYA
GOVERNOR

20 MAY 2019