LEGAL ALERT

THE BANK OF ZAMBIA (BOZ) DIRECTIVES, 2025 – 4 KEY PROVISIONS TO BE AWARE OF

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Introduction

On 26th December 2025, the Bank of Zambia Currency Directives, 2025 (the "Directives") came into force. The Directives essentially reaffirm the Zambian Kwacha and Ngwee as the only lawful legal tender for domestic transactions in Zambia. Domestic transaction is generally defined as a private or public transaction within Zambia, that involves the payment of money to a person resident in the Republic. A person or entity resident in Zambia is considered to be an individual or enterprise whose economic interests lie in Zambia.

The Directives apply to all persons, including the Government of the Republic of Zambia.

We outline below, the four (4) key provisions to be aware of:

1. Settlement of Payment for Domestic Transactions in Kwacha

All domestic transactions must be settled/paid exclusively in Kwacha, unless specifically exempted under the Directives. Further, all contracts, agreements or transactions denominated in foreign currency must be settled/paid in the corresponding amount of Kwacha converted at the market rate agreed between the parties. If parties do not agree on the exchange rate to be used, the current Bank of Zambia Kwacha/US dollar mid exchange rate(i.e. the average of the Bank of Zambia's buying and selling rates for the day) will apply.

2. Domestic Transactions with Government

For all domestic transactions where the Government is a party, neither the Government nor the parties transacting with it, are permitted to quote, invoice, pay or be paid, demand for payment or receive payment in foreign currency, except as provided under the Schedule of Exemptions

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3. Offences and Penalties

Any person who breaches the Directives commits an offence and may, upon conviction, be fined (up to ZMW1,000) or imprisoned for up to two (2) years, or both. Where the breach is committed by a company or other entity, directors or individuals involved in management may be held personally liable if they authorised, permitted, or were knowingly involved in the breach, unless they can prove that it occurred without their knowledge or consent. Additionally, the Bank of Zambia may impose administrative penalties up to ZMW400,000.

4. Schedule of Exemptions

The Directives provide that certain transactions may use foreign currency, including the following:

a) Payments made in satisfaction of an existing or future foreign currency liability to a financial product issuer or financial service provider may be effected in foreign currency and this includes the payment of dividends, principal, and interest. The exemption also covers:
   (i) financial services denominated in, or structured with, a foreign currency component and regulated by the BoZ under the Banking and Financial Services Act, 2017;

(ii) securities denominated in, or structured with, a foreign currency component and regulated by the Securities and Exchange Commission under the Securities Act, 2016; and

(iii) insurance policies denominated in, or structured with, a foreign currency component and regulated by the Pensions and Insurance Authority under the Insurance Act, 2021.

b) Mining transactions involving payments for tolling services in the mining sector, and also inter and intra-company sales of minerals or processed mineral products; provided that one of the parties remits the applicable taxes to the Zambia Revenue Authority (ZRA) through the sale of foreign currency to the BoZ. Furthermore, the exemption also extends to mining transactions involving payments made to suppliers for highly specialised mining equipment and components, as well as engineering services that are incidental to mining operations.

c) Tourism services paid by non-residents, and offerred by tourism enterprises registered under the Tourism and Hospitality Act, 2015.

d) Electricity sector transactions (i.e. production, transmission, distribution, trading).

e) Enclaves of foreign governments and bodies (i.e. diplomatic institutions, embassies and other extraterritorial organisations and bodies;

f) All exports and imports;

g) Exports of agricultural products and gemstones through aggregators and auctions; and

h) Payment by farmers to input suppliers for seeds, fertilizers, and chemicals supplied through trade credit. Exemptions cover sectors where foreign currency is operationally necessary while maintaining Kwacha as the primary domestic currency.

Conclusion

The Directives represent a significant regulatory intervention aimed at reaffirming the Kwacha and Ngwee as the sole legal tender for domestic transactions in Zambia. By restricting the use of foreign currency within the local economy, the Bank of Zambia seeks to strengthen monetary sovereignty, enhance policy effectiveness, and curb currency substitution. Clients should urgently review their payment structures and internal controls to ensure all domestic transactions are conducted in Kwacha, except where a clearly documented exemption applies. Given the narrow scope of permitted foreign-currency use and the heightened enforcement risk, proactive compliance, proper record-keeping, and periodic policy reviews are essential to mitigate regulatory exposure.

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