

CEOs Meeting

The 3rd Quarter consultative meeting between the Governor of the Reserve Bank of Malawi and Chief Executive Officers (CEOs) of financial institutions was held on the 24th September 2010 at the Reserve Bank of Malawi, Blantyre branch. For the first time, the IMF Resident Representative, Mr. Maitland MacFarlan, attended the meeting at the invitation of the Governor. The Governor informed the meeting that he called in Mr. MacFarlan for the meeting to clarify, in a transparent way, the misunderstanding regarding foreign exchange queue. This is an indicator agreed with the Fund to measure demand pressures in the foreign exchange market. If the queue is increasing it is an indication that demand pressures are rising and may therefore require policy intervention.

The Governor was concerned that the IMF and the Reserve Bank were seemingly getting contrary reports from the banking industry as to the development of the queue. He pointed out that data submission to the Reserve Bank on foreign exchange queues by commercial banks shows that the queue has been declining, indicating subdued demand pressure in the market. This is, however contrary to the message given by the same banks to the recent IMF mission. It, however, transpired that the difference could be that of perception and not necessarily as evidenced by statistics. Going forward, the Governor assured the meeting that to ensure transparency, the IMF Resident Representative will be invited to attend these meetings from time to time.

New exchange control issues

On the new exchange control regulations that require banks to send to the Reserve Bank foreign exchange applications of US\$50,000 and above, the Governor informed the CEOs that this is aimed at screening out illegal transactions from legitimate trade in line with Anti-

Money Laundering provisions. He also refuted claims that this has resulted in unnecessary delays in import bills' processing as the system was barely three weeks old and as any new system, it can only get better with time.

Currency repatriation arrangement

The Governor informed the CEOs that arrangements to sign a tripartite currency repatriation agreement with Zambia and Mozambique are at an advanced stage and it is expected that the agreement will be signed by the three countries early November 2010. The main objective of this agreement is to facilitate cross border trade along the boundaries of the three countries. Once the agreement is signed, citizens of the three countries shall be able to exchange their local currencies directly. This shall eliminate the need to use internationally convertible hard currencies such as the US dollar for trade along the borders of the three countries.