

FOREWORD

The Manual is issued by the Reserve Bank of Malawi (RBM), acting as agent of the Minister of Finance, to Authorized Dealer Banks (ADB) to enable implementation of the Exchange Control Act, 1989 and subsidiary legislation by ADBs. In recognition of the fact that the current account in Malawi is liberalized while the capital and financial accounts remain controlled, the manual contains instructions on how ADBs should process applications for foreign exchange transactions.

The Manual gives more authority to ADBs to approve applications for foreign exchange transactions without reference to RBM. However, this authority is coming with more responsibility. In this regard, ADBs shall ensure uniformity of policy in carrying out duties entrusted to them through strict and impartial application of Exchange Control Regulations. In order to foster uniformity, ADBs are encouraged to consult RBM to ensure that these instructions are interpreted in a similar way and that cross border foreign exchange transactions are conducted professionally.

The RBM requires compliance with these instructions by all the ADBs and will conduct regular inspections of ADBs to ensure compliance with these instructions. An ADB branch that persistently violates these instructions, or other guidelines, directives or circulars or fails to submit electronically CD1 forms (for export proceeds reconciliation purposes) and Form E payment data into the Foreign Exchange Statistical Database System (FESDS) shall be liable to administrative sanctions including suspension from handling foreign exchange transactions.

Please note that the information to be collected through Form Es will be used for compilation of the country's Balance of Payments (BOP) statistics. Thus, besides accurately describing transactions on Form Es and capturing all remittances and payments into FESDS, ADBs should ensure that transactions are adequately supported by relevant documentation such as invoices, contracts, Customs clearing documents among others.

GOVERNOR

RESERVE BANK OF MALAWI

ABBREVIATIONS

ADB	Authorised Dealer Bank
AFED	Authorised Foreign Exchange Dealer
BOE	Balance of Earnings
BOP	Balance of Payment
CD1FORM	Customs Declaration Form Number 1
CTBL	Combined Transport Bill of Lading
EC	Exchange Control
FCDA	Foreign Currency Denominated Account
FOREX	Foreign Exchange
FESDS	Foreign Exchange Statistical Database System
IATA	International Air Transport Association
MRA	Malawi Revenue Authority
PTA	Prepaid Ticket Advice
RBM	Reserve Bank of Malawi
TEP	Temporary Employment Permit

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PART I: DEFINITIONS

In this manual, unless the text otherwise requires---

“Authorized Dealer Bank” is any financial institution registered under the Banking Act to carry out banking business and authorized under the Exchange Control Act to deal in foreign exchange in Malawi.

“Authorized Foreign Exchange Dealer” is any entity licensed under the Exchange Control Act to deal in foreign exchange in Malawi.

“Balance of Earnings” refers to a portion of an expatriate’s net pay (usually two thirds of net salary) which is freely remittable to his/her home country

“Capital Account” relates to receipts or payments of capital transfers and acquisition or disposal of non-produced and non-financial assets

“CDI Form” is a document called Customs Declaration Form Number One issued by Malawi Revenue Authority under the Customs and Excise Act for reporting exports from Malawi

“Current account” relate to all monetary and non-monetary transactions between residents and non-residents in respect of payment for goods and services.

“Export Proceeds” refers to earnings from sales of goods and services to other countries by residents

“Financial Account” relates to transactions associated with changes of ownership in the foreign financial assets and liabilities, including the creation and liquidation of claims on, or by, the rest of the world.

“Form E” is an Exchange Control form for processing foreign exchange remittances

“Foreign Currency Denominated Account” is a foreign currency account maintained by residents and non-residents in a local bank

“Foreign Exchange Statistical Database System” is a web-based system for processing exports and foreign exchange remittances

“Non-resident” is a citizen of a country other than the reporting country operating in the reporting country

“Non-resident bank account” is a local currency account which is maintained by nonresidents in a local bank

“Prepaid Ticket Advice” is an authorization that permits issuance of a ticket at a point other than the point of payment.

“Trade Credit and Advances” are credit facilities arising from the direct extension of credit by foreign suppliers or buyers of goods and services from Malawi.

“Resident” is a citizen of a reporting country living in that country permanently

PART II: EXPORTS OF GOODS AND SERVICES

- 1.0 A CD1 Form (Exports from Malawi) (Annex VII) must be completed for any export of goods whose value per consignment exceeds US\$5,000 (five thousand United States dollars) or the equivalent thereof in any other foreign currency. The Malawi Revenue Authority (MRA) may demand a CDI Form for consignments of any value in the course of processing exports from Malawi.
 - 1.1 ADBs or exporters that are registered in the FESDS may create electronic CD1 Forms in FESDS, an internet based system that may be accessed on: <http://www.fesds.mw>.
 - 1.2 Prior to submission of CD1 Forms to the RBM and MRA, an ADB must verify that the term of payment specified on the Form CD1 is correct and that, in case of open account payment terms, adequate arrangements have been made for the ADB to receive export proceeds in Malawi.
- 2.0 ADBs are advised that receipt of proceeds of exports originating from Malawi must be within one hundred and eighty (180) days from the date of export. Special RBM authorisation to receive export proceeds after 180 days may be granted provided that the extension is necessary in the particular trade or is needed to protect an existing export market or to capture a new export market. On handling export proceeds, ADBs should note the following:
 - 2.1 Export proceeds may be subject to a retention/conversion ratio to be determined by RBM from time to time.
 - 2.2 ADBs shall, upon receipt of funds from offshore sources, contact the beneficiary to establish if such funds are in respect of export proceeds and if so, provide written confirmation on the receipt of the proceeds.
 - 2.3 Exporters shall on a monthly basis compile a schedule on receipt of export proceeds and submit the same to the RBM duly supported by bank statements, advice slips of receipt of proceeds from the respective ADBs and a list of CD1 forms to be reconciled.
 - 2.4 In case of export proceeds in form of cash, the exporter shall submit to RBM, either directly or through an ADB, relevant transaction receipts evidencing exchange of foreign currency with an authorised foreign exchange dealer, indicating the CD1 forms to which the funds relate.
- 3.0 Direct exchange of exports for imports (barter or counter trade) is subject to

approval from Ministry of Industry and Trade.

- 4.0 ADBs shall not facilitate the completion of any CDI Form for exports by non-residents without prior approval of the Reserve Bank of Malawi
- 5.0 Exporters may pre-finance their exports through accessing advances from prospective international buyers or financiers. In such cases, ADBs shall:
- 5.1 first ensure that the term of payment on the electronic CD1 Form is correctly specified as pre-finance. Where the ADB is completing the CD1 Form on behalf of the exporter, the ADB should indicate "pre-finance" as the term of payment
 - 5.2 complete payment lines under the "Export Proceeds Tab" of the electronic CD1 Form by: (i) capturing the full amount of the pre-finance as shown on the swift message; and (ii) quoting the swift message reference number accordingly.
 - 5.3 electronically submit the CD1 Form to RBM for validation.
 - 5.4 quote the same swift message reference number for all the subsequent CD1 Forms (declarations) relating to the pre-finance until the whole pre-finance amount is exhausted
- 6.0 ADBs may facilitate export of goods formerly imported into Malawi provided they are satisfied that:
- 6.1 The goods were declared to MRA on their arrival in Malawi and that the exporter has submitted to the ADB Import Bill of Entry (Customs Form 12) as evidence to that effect;
 - 6.2 Where payment for such goods was made from Malawi, proper arrangements have been made for the:
 - i replacement of the goods; or
 - ii reimbursement of the payment so made;
 - iii ADB to complete payment lines under the "Export Proceeds Tab" of the electronic CD1 Form upon receipt of the replacement goods or reimbursement of the payment so made and submit the CD1 Form electronically to RBM through the FESDS for the acquittal of the CD1 Form;
- 7.0 ADBs may facilitate exportation of goods as commercial samples and for exhibition at Trade Fairs provided they are satisfied that proper arrangements

have been made for either the return of the goods or repatriation of proceeds in the case where the goods are ultimately sold offshore.

- 8.0 Upon confirmation that the funds received from offshore are in respect of exportation of services by a Malawian resident, ADBs shall create and submit to RBM an electronic CD1 Form in respect of each of such receipts or request the exporter to create the CD1 Form for the ADBs submission to the RBM. Since the CD1 Form shall be completed on receipt of the proceeds, the declarations shall be treated as advance payments and the CD1 Form has to be completed as such.

PART II: IMPORTS OF GOODS AND SERVICES

- 9.0 Except where the importer wants to prepay for imports, importation of goods and services into Malawi no longer requires prior approval by ADBs. However, ADBs are required to process applications to pay for imports and in this regard, ADBs shall:
- 9.1 make the payment on condition that the applications to pay for the imports are supported by the following:
- i commercial invoices,
 - ii MRA cleared documents including Customs and excise Declaration Form 12
- 10.0 ADBs may approve applications to pay for one-off services rendered to residents by non-residents provided such applications are supported by the following:
- 10.1 final settlement invoice
- 10.2 where applicable, a copy of the signed agreement on the basis of which the service was provided
- 10.3 where applicable, documentary evidence that the non-resident service provider travelled to Malawi to render the services in question
- 11.0 ADBs may approve applications to remit foreign exchange in respect of medical services provided or to be provided outside Malawi and such applications shall be supported by:
- 11.1 a settlement or proforma invoice issued by the referral medical institution;
- 11.2 a copy of the referral letter originally obtained from a registered medical doctor practising in Malawi.
- 12.0 ADBs shall ensure to report in the FESDS, all payments for imports of goods and services and transmit the same to RBM electronically on the same day the payment has been made

PART IV: TRADE CREDIT AND ADVANCES

- 13.0 Trade credit and advances comprise credit extended directly by suppliers of goods and services to their customers; and advances for work that is in progress (or is yet to be undertaken) as well as prepayment by customers for goods and services not yet provided.
- 14.0 ADBs may approve applications to prepay for imports of goods and services provided that:
- 14.1 the importer undertakes to submit the importation documents when services are rendered and/or goods are received and cleared by MRA
 - 14.2 the said import documents shall be filed and made available to inspectors on request.
 - 14.3 ADBs shall maintain a register of all customers who have made advance payments
 - 14.4 ADBs shall not allow applicants who, within ninety (90) days, fail to submit import documents for previous import prepayments to make another prepayment. ADBs shall immediately inform RBM for purposes of instituting sanctions under the law.
 - 14.5 ADBs shall submit monthly reports (Annex 1) to the RBM on advance payments granted showing status of reconciliation. Failure by ADBs to comply with this requirement may result in the ADB being suspended from dealing in foreign exchange.
 - 14.6 in case of services, there is also evidence that the service contract was registered with an ADB.
- 15.0 ADBs may approve applications by residents to remit commissions outside Malawi in respect of handling charges for goods exported from Malawi provided that such applications are supported by:
- 15.1 duly executed agency agreement;
 - 15.2 a statement of account showing the figure on which the commission is based and the percentage used in the calculation;
 - 15.3 a copy of the related CD1 Form(s) and a swift message or any authentic documentary evidence of receipt of export proceeds in Malawi;
- 16.0 ADBs may approve applications for remittances in respect of goods brought

into Malawi for purposes of exhibition at international trade fairs and are sold during or at the end of the trade fair, provided applications are supported by relevant import documents such as Customs cleared documents including Customs and Excise Declaration Form 12.

- 17.0 ADBs may approve applications by residents or locally registered companies to pay for advertisements placed outside Malawi on their behalf provided that such applications are supported by settlement invoices or an order and a settlement invoice in the case of advertisements made through electronic media or a tear sheet in the case of advertisements made through the print media.
- 18.0 ADBs shall ensure to report in the FESDS all remittances relating to trade credits and advances.

PART V: TRAVEL

- 19.0 ADBs may approve and grant travel allowances to their clients provided that:
- 19.1 they have ascertained that the applicant is a resident holding a Malawian passport or a foreign national passport with a valid residential permit. In the case of a non-resident, the applicant holding a foreign national passport has been residing in Malawi for a period of consecutive twelve months.
 - 19.2 travel allowances shall be granted in accordance with Know Your Customer principles as well as Anti-Money Laundering, Proceeds of Serious Crime and Terrorist Financing legislation.
 - 19.3 travel allowances shall be provided using internationally accepted instruments of payment including prepaid debit cards, RBM approved credit cards and in convertible currencies.
- 20.0 ADBs may approve applications for business, holiday or medical travel allowances as follows;
- 20.1 US\$500.00 per day for the duration of the trip, up to a maximum of US\$10,000.00, or the equivalent thereof in any other currency or
 - 20.2 notwithstanding the indicative per diem allocations in 20.1 above, ADBs may grant up to a maximum of US\$3,000.00 for business, holiday or medical travel allowance, where the duration of travel is more than two (2) days but less than six (6) days.
 - 20.3 travel allowances of up to US\$3,000.00 may be granted without requiring production of documentary evidence of travel other than the applicants' passport..

- 20.4 applications for any travel allowances in excess of US\$3,000.00 shall be supported by a bus/air ticket (not an itinerary or quotation for an air ticket) or vehicle police clearance report in the case of those travelling on private vehicles as evidence of travel.
 - 20.5 applications for all business travel allowance are supported by a letter from the company or business entity authorizing the travel.
 - 20.6 applications for medical travel allowance are supported by a referral letter from a registered medical practitioner in Malawi.
 - 20.7 For holders of a valid permit for Temporary Employment, ADBs shall provide travel allowance against certification from an employer.
 - 20.8 all applications for travel allowances shall be supported by a valid passport as a mode of identity of applicants.
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- 21.0 ADBs may grant excess travel allowance to corporate applicants for business travel allowance subject to official request.
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- 22.0 ADBs may approve applications for PTAs provided the final destination of the traveller is a port in Malawi and, in the case of cancellation the ticket is only refundable in Malawi.
 - 22.1 Applications for PTAs shall be supported by:
 - i. confirmed booking;
 - ii. invoice from airline/travel agent.
 - 22.2 Furthermore, PTA transactions shall be subject to reconciliation through submission of relevant pages of passport of the ticket holder to ADBs
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- 23.0 ADBs may approve applications from international airlines, travel agents affiliated to IATA or local IATA representative office/agent and non-resident bus companies for remittance of funds in respect of proceeds from air or bus ticket sales. ADBs shall ensure that the applications are appropriately supported by the following:
 - 23.1 Certification or confirmation of amount by local representatives of IATA in case of applications for remittance of air ticket sales by airlines or travel agents.
 - 23.2 Copies of ticket coupons in case of bus ticket sales.
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- 24.0 ADBs shall ensure to report in the FESDS all remittances relating to travel allowances, PTAs, proceeds from ticket sales and other related expenses.

PART VI: EDUCATION, SUBSCRIPTION, MEMBERSHIP AND MAINTENANCE ALLOWANCES

- 25.0 ADBs may approve applications by Malawians or non-residents holding valid residential permit to remit school fees, purchase study materials, pay for rentals and living expenses or maintenance allowance or remit subscriptions, provided that:
- 25.1 there is evidence, in form of passport or birth certificate or an affidavit in English from relevant authorities, that the student is a citizen of Malawi, or a dependant of a resident of Malawi;
 - 25.2 there is proof that the student has an admission letter from an institution of learning evidencing that the student has been enrolled for the period to which the fees relate;
 - 25.3 in the case of a continuing student, there is evidence or school notification (statement of fees due or paid) that the student is still enrolled and attending the institution;
 - 25.4 there are relative bills (invoices) or statements of accounts from the education institution showing the amount required for:
 - i tuition fees;
 - ii incidental expenses, including text books and stationery requirements;
 - iii boarding and lodging expenses where the student is living in a hall of residence.
 - 25.5 there is a letter from the school stating requirements for non-residents, where the student is not in a hall of residence.
 - 25.6 The tuition fees and related expenses shall be paid directly to the educational institution or directly to the student account as deemed appropriate by the institution.
 - 25.7 Maintenance allowances and rentals due may be remitted through student or landlord bank accounts, debit or prepaid cards, bank drafts or any other convenient and internationally accepted means of international funds transfer.
- 26.0 ADBs may in line with the cost of living of a particular country/region, approve or renew applications for a monthly remittance in any other foreign currency of maintenance allowances to dependents outside the country provided that:
- 26.1 in the case of the aged or needy, there is an affidavit in English stating the need for the assistance.

- 26.2 in the case of alimony or maintenance of children following a divorce, there is a court order with the specified amount payable, copies of divorce order, children's birth certificates, consent papers, etc., stating the amount remittable.
- 26.3 remittances for children may be made up to the age of eighteen years, unless there is documentary proof that the children are still going to school.
- 27.0 ADBs may approve applications to remit subscriptions and membership fees to associations provided that an invoice or a statement of account showing the amount payable supports such applications; and in the case of membership, there is documentary evidence as proof of the membership/affiliation with the association or institution concerned.
- 28.0 ADBs may approve applications to remit to non-residents bequeaths or inheritances under wills or in testacies of persons who, at their death, were regarded as resident in Malawi. Such applications must be supported by:
- 28.1 a death certificate;
- 28.2 a copy of the will or testament;
- 28.3 a copy of the distribution accounts; and
- 28.4 Copies of relevant passport pages or travel documents evidencing exit of the beneficiary if they had at any time been resident in Malawi.
- 29.0 ADBs may approve remittance of earnings in Malawi by visiting artists, entertainers, sportsmen, etc to their country of permanent residence. Application for such remittance shall be supported by a letter from a local promoter to the effect that the artist, entertainers or sportsmen actually performed in Malawi or documentary confirmation from appropriate bodies such as Copyright Society of Malawi and the Cultural Affairs Department.
- 30.0 ADBs may approve applications by residents to remit amounts up to US\$1,000.00 per calendar year in respect of gifts.
- 31.0 ADBs may approve applications by residents to remit amounts up to US\$2,000, per calendar year to charitable, religious and educational organizations, provided that ADBs are satisfied that the transfer is not for illegal purposes. Applications for such transfers shall be supported by:

- 31.1 Information on the type of charitable or other organisation as well as on relationship or connection between the applicant and the beneficiary;
 - 31.2 Amounts remitted in the previous year if any; and
 - 31.3 Amount now desired to be remitted.
- 32.0 ADBs may approve applications by an emigrant to transfer cash assets and export of personal effects provided that any such application is supported by:
- 32.1 Emigrant report from department of Immigration showing that the applicant has or is indeed leaving Malawi
 - 32.2 A list, as well as values, of personal effects to be exported
 - 32.3 Copy of motor vehicle registration certificate (s) whenever the emigrant intends to export a vehicle
 - 32.4 Completed CD1 Form covering physical assets being taken out of the country
- 33.0 ADBs shall ensure to report in the FESDS all remittances relating to education, subscription, membership and maintenance allowances

PART VII: MANAGEMENT, TECHNICAL, ADVISORY, ROYALTY, DIRECTORS, DIVIDENDS, BALANCE OF EARNINGS, INTERCOMPANY EXPENSES AND AGENCY FEES

- 34.0 ADBs may register contract agreements in respect of management, technical, advisory, royalty and agency contracts. ADBs must ensure to maintain necessary documentation for the same and file them separately
- 35.0 ADBs may approve applications to remit management, technical, advisory and royalty fees provided that such applications are supported by:
- 35.1 Evidence that the contract was previously registered with an ADB and that the request to remit the fees in question is within the validity period of the contract.
 - 35.2 an invoice from the beneficiary
 - 35.3 a letter signed by an authorised signatory of the company receiving the services to the effect that the services have been rendered as outlined in the contract
- 36.0 ADBs may approve applications to transfer director's fees to non-resident directors provided that any such application is accompanied by the following:

- 36.1 board resolution passed by the company's board of directors stating fees paid to all directors
- 36.2 details of directors' fees paid to all directors during the preceding two years

- 37.0 ADBs may approve applications from expatriates employed in Malawi on contract basis to remit balance of net pay, bonus, gratuity and leave pay.
 - 37.1 An application to remit such Balance of Earnings (BOE) shall be supported by:
 - i a certified copy of a valid employment permit
 - ii a certified copy of valid and properly executed employment contract, and
 - iii Bank statement/payslip

- 38.0 ADBs may approve applications to remit dividends/profits earned in Malawi provided that any such application is supported by:
 - 38.1 documentary proof of prior registration of investment by RBM
 - 38.2 certified copy of board resolution declaring the dividend payable (**Note:** dividends shall not exceed amount recommended by the board)
 - 38.3 in case of final dividends, audited and signed accounts for the relevant year showing that dividends have been paid out of distributable profits and not out of share premium account, capital redemption reserve or revaluation reserve, and
 - 38.4 in case of interim dividends, auditor certified interim accounts

- 39.0 ADBs may approve applications for the transfer of shares from one non-resident shareholder to another provided that any such application is supported by:
 - 39.1 documentary evidence to the effect that the shares being transferred were registered by RBM as being held by the transferor
 - 39.2 certified or notarized copy of board resolution authorising the transfer of the shares, and
 - 39.3 copy of latest audited accounts

- 40.0 ADBs shall ensure to report in the FESDS all remittances relating to management, technical, advisory, royalty, directors, dividends, balance of earnings, intercompany expenses and agency fees.

PART VIII: INSURANCE AND PENSIONS

- 41.0 Where insurance companies in Malawi cannot provide reinsurance cover, ADBs may approve applications by brokers/ insurance company to remit reinsurance premiums provided that they are supported by:
- 41.1 a relevant policy/cover note
 - 41.2 a clearance from the Registrar of Insurance for such policy, and
 - 41.3 a relevant debit note
- 42.0 ADBs may approve applications to pay for assessors' or loss adjusters' fees provided that any such application is supported by:
- 42.1 a debit note/invoice, and
 - 42.2 a copy of relevant assessors' or loss adjusters' report
- 43.0 ADBs may subject to the provision of Pensions Act 2010, allow local organisations to transfer funds representing pension payments to former employees who are permanently resident outside Malawi, provided that such payments are made from bona fide Pension Funds to which the beneficiary contributed during the period of their active employment and that payments are made in accordance with the rules applicable to the Funds from which the moneys are derived. At all times, ADBs:
- 43.1 must have documentary evidence that the beneficiaries have emigrated from Malawi and have in fact, taken up permanent residence outside Malawi.
 - 43.2 may approve lump sum payments or the proceeds of the commutation of any part of a pension and.
 - 43.3 may approve payments that are voted by the Boards of local companies to former employees but which payments are not regarded as "pension payments".
- 44.0 ADBs may approve applications by-
- 44.1 local subsidiaries or associates of non-resident business organisations or individuals to transfer contributions to pension funds administered

outside Malawi where such contributions were taking place prior to taking up residence in Malawi, and.

44.2 individual local employees of non-resident organisations to remit contributions to pension funds established by their principles subject to provision of Pension Act 2010.

45.0 Applications for cross-border investments by pension funds registered under the Pensions Act 2010 shall be submitted to RBM, supported by certified board or trustees resolutions.

46.0 ADBs shall ensure to report in the FESDS all remittances relating to insurance and pensions.

PART IX: FREIGHT, TOLL FEES, TRANSIT CHARGES, THIRD PARTY INSURANCE COVER AND OTHER RELATED CHARGES

47.0 ADBs may provide foreign exchange to residents and locally incorporated companies for toll fees, transit charges, and third party insurance cover. The amounts so provided shall be supported by an appropriate documentation of amounts due at various points or actually paid in previous trips. Toll fees are subject to reconciliation.

48.0 ADBs may approve applications by residents to remit freight, clearing, port, handling and other charges. Remittance of freight and insurance is not allowed where goods are cleared on c.i.f. basis.

48.1 Remittance of freight charges must only be effected to the party (s) that had directly rendered the service on the goods in the country of dispatch or transit. Where through-rates apply, remittance may be approved if the relative Through Bill of Lading (Combined Transport Bill of Lading-CTBL) is attached.

48.2 Where huge consignments such as fertilisers, tallow, palm oil, sugar or maize are involved, ADBs may approve applications for remittance of freight charges provided such applications are supported by transport contracts. No remittance of freight proceeds by a local firm to an associate agent outside Malawi, should be approved unless:

- i the firm is incorporated in Malawi; and
- ii prior arrangements to have a Kwacha Collect Facility on behalf of the associate agent, has been made and approved by the ADB. Only agents whose foreign direct investment is duly registered

by RBM will be accorded this facility.

- 48.3 Remittance of freight proceeds on short landed goods shall only be effected upon production of documentary evidence of the shortfall duly certified by MRA at the point of clearance of the consignment received. A letter of explanation from the applicant for the shortfall must also support such applications.
- 48.4 In all cases, ADBs shall complete an electronic Form E Current Account Transactions and electronically submitted the same to RBM for record and statistical purposes.
- 49.0 The following documents must accompany an application to remit freight and other charges on imports:
- 49.1 An Import Bill of Entry Form 12 or postal receipt evidencing clearance of the goods by MRA authorities. The import Bill of Entry must have the following:-
- i An MRA "*For Exchange Control Purposes Only Freight-Imports*" endorsement. Only one copy of the import bill of entry should bear this stamp per consignment.
 - ii Clearly indicating the Terms of delivery for the goods, for instance f.o.b. , and
 - iii Supplementary Bills of Entry must always be supported by the Bill of Entry on which the original clearance was effected. ADBs must, therefore, hold the original Bill of Entry until the consignment is cleared in full by MRA.
- 49.2 Road Consignment Note. The road consignment note should be tendered as evidence of carriage of goods and entry into the country. The document should bear the following:
- i A description of the goods and the quantities involved;
 - ii The name of the consignor and consignee; and
 - iii Original MRA stamp endorsed at the point of entry into Malawi and at the place of MRA clearance of the goods.
- 49.3 Freight Invoice (both Imports and Exports)-Issued by a bona-fide party at the point of dispatch or trans-shipment points seeking reimbursement for the services rendered, financial and/or otherwise on the transportation of the goods.
- i The invoices should be original, dated and duly signed, and should give a thorough breakdown of the charges involved.
 - ii Where invoices include amounts relating to charges by other

parties along the transit line, their respective invoices should be attached for reference purposes.

- 49.4 The invoices for remittance of freight should also bear the following:
- i the name of the consignor and consignee;
 - ii the tariff rate used for the charges and the chargeable distance to which the invoices relate; e.g. Johannesburg-Blantyre (Road Freight); Gatwick-Lilongwe (Air freight);
 - iii a description of the goods;
 - iv the local agent's/transporter's invoice to the importer duly endorsed by the recipient;
 - v container numbers where applicable and carrier's details including registration of the vehicle, and
 - vi In addition all freight invoices should bear an original MRA "*For Exchange Control Purposes Only Freight-Imports*" stamp endorsed on clearance of the goods. In some cases, ADBs, at their discretion, may accept facsimile invoices bearing the MRA stamp provided the actual original freight invoice is attached.
- 49.5 A copy of commercial invoice from the supplier endorsed by MRA.
- 49.6 A copy of Bill of Lading on overseas consignments. In case of through rates, the relative Through Bill of Lading should also be attached.
- 49.7 Where airfreight is used, an Airway Bill should be provided stating clearly whether freight is prepaid or on collect basis and should also bear an MRA stamp endorsed on clearance of goods, usually at the point of entry, i.e. Kamuzu and Chileka International Airports.
- 49.8 *Rail Consignment Note*;
Where rail freight is used, a Rail Consignment Note must always support an application for remittance of railage charges.
- 50.0 The following documents must accompany applications to remit freight and other charges on exports:
- 50.1 *Copy of the Shipping Instructions*. This document is to be completed by the exporter to the forwarder/transporter giving details of dispatch for the export. Besides, the exporter must declare on this document:
- i full details of freight, including where freight is to be paid (prepaid or payable at destination) as well as the party responsible for the settlement of freight under the contract, and
 - ii the shipment terms applicable for the export, for example, f.o.b., c & f Durban etc.
- 50.2 An appropriate MRA export Bill of Entry (Form 12) showing evidence

of clearance of the goods by MRA authorities. The export Bill of Entry must have the following:

- i The Bill of Entry should bear an MRA "*For Exchange Control Purposes Only Freight-Exports*" stamp. Only one Export Bill of Entry will be endorsed with this stamp per consignment. In the case of part lots, where several shipments are covered by one Export Bill of Entry, ADBs must hold onto the original bill of entry until subsequent consignments are cleared.
- ii Where several forwarders handle a single export, as is the case with most huge contracts, photocopy Bill of Entry may be accepted if properly supported by an explanatory note from the shipper/exporter showing the quantities assigned to each forwarder/carrier under the Bill of Entry.
- iii The Bill of Entry should bear an endorsement of the terms of sale under the contract i.e. f.o.b., c & f (port of destination) etc.

50.3 A road consignment note which should give full details of the goods and the carrier/transporter and should bear a MRA stamp affixed at the point of exit.

50.4 Bill of Lading must be attached on applications where sea freight is payable. The relative loading lists or correspondences from the vessel evidencing loading of a vessel at the port should also be provided.

50.5 In case of air cargo, a copy of the Airway Bill should be attached. Charges must clearly be shown, as prepaid or collect, whichever is applicable.

50.6 The following must support an application for remittance of freight charges on export of personal effects.

- i A shipping instruction from the exporter/shipper stating clearly where freight will be payable. This note will have to bear an MRA stamp endorsed on clearing the export.
- ii A Bill of Entry (Form 12) and/or any other MRA document for export bearing a MRA "*For Exchange Control Purposes Only Freight-Exports*" stamp, and.
- iii A cargo manifest bearing all the carriers details and an MRA stamp. In case of groupage cargo, a photocopy of these copies would be acceptable.

51.0 ADBs shall ensure to report in the FESDS all remittances relating to freight , toll fees, transit charges and third party insurance cover.

PART X: FOREIGN BORROWING BY RESIDENTS

- 52.0 All foreign borrowing by residents is subject to prior RBM approval.
- 52.1 In order to procure foreign loans, applicants should tender to an ADB a draft loan agreement, which should include details of both parties; amount and currency; purpose; period of the loan; draw-down and repayment terms; interest rate and interest period options; commitment fee; legal costs; and early repayment options.
- 52.2 Applications to register foreign loans shall be submitted to RBM Exchange Control under cover of an EC application, which shall refer to the EC number under which the loan contract was approved, and shall be supported by:
- i duly completed Form E in FESDS;
 - ii a signed copy of the loan agreement; and
 - iii documentary evidence of receipt of loan in Malawi in the form of:
 - (a) money transfer or credit slips or debit notes; and/or
 - (b) MRA stamped import bills of entry and relative invoices.
- 52.3 ADBs may approve applications to repay a foreign loan, provided that the loan contract as well as loan proceeds were registered by RBM Exchange Control and the repayment is in accordance with terms and conditions of the loan as contained in the loan agreement. Upon receipt of instructions to repay a foreign loan, ADBs shall complete and submit to RBM through FESDS remittance details and a copy of repayment instruction and/or debit note.
- 53.0 ADBs shall ensure to report in the FESDS all remittances relating to foreign loans.

PART XI: OUTWARD INVESTMENT

- 54.0 Direct outward investment by residents is subject to prior RBM approval.
- 54.1 ADBs shall submit on behalf of their clients' applications for offshore direct investment to RBM. Such applications shall be supported by:
- i shareholders agreement where applicable;
 - ii project proposal;
 - iii for an existing business, audited accounts for the recent previous three consecutive financial years where applicable; and
 - iv cash flow projections for the next three years.

- 54.2 ADBs shall also submit annual audited accounts for all such investments to RBM on behalf of their clients.
- 55.0 Subject to RBM approval, residents may, through registered stockbrokers operating in Malawi purchase securities on foreign stock exchanges, take up additional shares under a rights issue and participate in employee share ownership.
- 55.1 Applications for the acquisition of such foreign securities shall be submitted to RBM under cover of EC applications, supported by:
- i duly completed Form E
 - ii statement of number and market value of securities and shares owned;
 - iii copies of securities and share certificates; and
 - iv full particulars of share incentive scheme as well as a copy of the offer to employees, e.g. prospectus;
- 55.2 The purchase of bearer securities and unquoted external securities by residents is not encouraged.
- 55.3 Where residents sell their securities, the net proceeds shall immediately be repatriated to Malawi.
- 55.4 ADBs shall submit to RBM money transfer or credit slips evidencing repatriation of dividends and proceeds from sale of securities to Malawi.
- 56.0 Applications for the issuance of bonus shares to a non-resident shareholder are subject to prior RBM approval
- 55.1 ADBs must submit applications for such investment to RBM supported by a certified copy of board resolution authorising the capitalisation of the company's reserves
- 55.2 ADBs shall register the investment by submitting to RBM evidence of receipt of funds into Malawi in respect of such investment
- 57.0 Refer to Section 43.0 above for conditions governing foreign investment of pension funds operating in Malawi under the Pensions Act 2010
- 58.0 ADBs shall ensure to report in the FESDS all remittances relating to outward investments

PART XII: INWARD INVESTMENT

- 59.0 Foreign investors may introduce investment to finance investment capital in any of the following ways:
- 59.1 **Cash:** Foreign exchange in any convertible currency may be imported in any amount. However importation of hard cash shall be subject to applicable Anti-money Laundering requirements. When registering this form of capital with RBM, ADB or foreign exchange bureau receipts evidencing conversion of foreign exchange into local currency as well as confirmation from an ADB to the effect that the local currency has been credited to the company's account, should support the application.
 - 59.2 **Capital Equipment (Plant & Machinery):** RBM accepts capitalization of equipment where there is evidence in the form of customs cleared documents. Equipment to be capitalized must be directly related to the nature of business to be undertaken by the foreign direct investor. The equipment has to be inspected by independent and reputable valuers.
 - 59.3 **Stocks:** Stocks/inventory that directly relate to trade of a particular business may be registered as capital from abroad provided that the purchase of the stocks have not been financed locally. Consumables such as stationery are not acceptable for capitalization.
 - 59.3 **Technology:** This form of capital introduction involves the conversion of cost of technology and technology services into equity capital.
 - 59.4 **Debt/Equity Swap:** RBM accepts a prospective foreign investor to purchase a foreign debt from a locally incorporated company and use the kwacha equivalent of the foreign debt as capital in the company to be formed or already formed.
- 60.0 ADBs shall submit to RBM applications for inward investment supported by:
- 60.1 Certificate of incorporation under the Companies Act (Act No 19 of 1984)
 - 60.2 Memorandum and Articles of Association
 - 60.3 Shareholders agreement (where applicable) and
 - 60.4 Documentary evidence of receipt of capital in Malawi in the form of:
 - i money transfer or credit slips or foreign exchange conversion receipts accompanied by evidence of credit of funds to the company's account
 - ii import bills of entry, relative invoices as well as valuer's report
 - iii documentary evidence of registration of a foreign loan being converted to equity, and
 - iv a board resolution declaring dividends, a tax clearance certificate and a board resolution authorizing capitalization of

dividends for existing shareholders

- 61.0 Foreign investment in Government securities shall be registered with RBM. Where such an investment has been registered, ADBs shall advise RBM on rollovers or repatriation of principal and interest.
- 6.2 ADBs shall ensure to report in the FESDS all remittances relating to inward investment

PART XIII: DISINVESTMENT

- 63.0 Repatriation of capital on disinvestment is permitted provided that the initial investment was registered with RBM. ADBs shall submit applications for disinvestment referring to the EC number under which the initial investment was registered supported by:
- 63.1 copy of the board resolution on the winding up of the company and in which a liquidator was appointed for this purpose and a copy of a court order where liquidation was ordered;
 - 63.2 copies of final audited accounts in which all the transactions are recorded;
 - 63.3 valuation report compiled by an independent and reputable valuer; and
 - 63.5 Copy of an electronic Form E
- 64.0 ADBs shall report to RBM all remittances, in respect of disposal of shares, treasury bills, bonds under cover of an EC application making reference to the investment registration EC number. Such a return shall be sent to RBM supported by:
- 64.1 transfer forms;
 - 64.2 duly completed form E
- 65.0 ADBs shall ensure to report in the FESDS all remittances relating to disinvestment

PART XIV: FOREIGN CURRENCY DENOMINATED ACCOUNTS (FCDA_s)

- 66.0 ADBs must apply appropriate customer due diligence when processing all applications to open FCDA_s.

67.0 FCDAs are divided into two types: FCDA (Non-Resident) and FCDA (Resident)

67.1 FCDA (Non-resident) are those held by Malawian citizens living abroad, the diplomatic community and international organisations operating in Malawi

67.2 FCDA (Resident) are those held by residents of Malawi (including non-citizen residents) for purposes of receiving of export proceeds or general foreign income.

68.0 The following conditions shall apply for all FCDA (Non-resident):

68.1 The foreign exchange conversion/retention ratio shall not apply.

68.2 Subject to Clause 62.4 below, remittances from these FCDA shall not be subject to Exchange Control requirements.

68.3 May be credited with remittances through normal banking channel and internationally acceptable payment instruments and

68.4 Balances may be converted into Malawi Kwacha.

69.0 The following conditions shall apply for all FCDA (Resident):

69.1 Except for cash deposits not on account of payment for exports, all other deposits shall be subject to the retention/conversion ratio announced by RBM from time to time

69.2 Remittances from these FCDA shall be subject to applicable exchange control requirements, i.e. documentation.

69.3 Balances may be converted into Malawi Kwacha and

69.4. Encashment of hard currencies may be allowed for purposes of travel allowances only.

70.0 The following general provisions shall apply for all FCDA:

70.1 There is no restriction on the period over which balances in FCDA may be retained.

70.2 All transactions involving FCDA shall be subject to Anti-money Laundering and Terrorist Financing Regulations.

70.3 Proceeds from loans and investments shall not be subject to conversion/retention ratio.

- 71.0 In all the transactions referred to in this manual, ADBs shall take note that:
- 71.1 they should maintain related physical documents for a period of seven (7) years
 - 71.2 they are required to present the documents to RBM inspectors on request and
 - 71.3 non-submission of information to RBM Inspectors upon request shall be an offence as provided under the Exchange Control Act and Regulations

PART XVI: REPORTING AND ADMINISTRATIVE SANCTIONS

- 72.0 All remittances must be reported to RBM through FESDS
- 73.0 ADBs shall maintain appropriate records of all transactions referred to in this manual and make them available to RBM inspectors on request.
- 74.0 Any bank or branch that fails to comply with the instructions contained in this manual shall be liable to administrative sanctions which shall among other things include withdrawal of the license to deal in foreign exchange.