



**BANK OF ZAMBIA**  
OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

**February 04, 2010**

**CB Circular No: 02/2010**

**To : All Commercial Banks**

**BANK OF ZAMBIA DIRECTIVE ON MANAGEMENT FEES**

As indicated at the last meeting with Chief Executive Officers of banks, the Bank of Zambia is deeply concerned at the high level of fees paid by commercial banks under contract for management services signed with group/related companies/entities. The services are provided in various areas and the group activities are executed through various management structures, both from the main head office and regional management centres. This operational/management control structure has also given rise to dual reporting responsibilities for local functional units i.e. locally to the local chief executive officers and boards of directors and to the respective regional heads, thus generating costs for the Zambian subsidiaries under related management contracts.

The concerns of the Bank of Zambia range from difficulties in drawing a clear distinction between actual need for the services and perceived imposition of the services by the Group as a way to safeguard the franchise value to the negative impact that such fees may have on the financial well being of banks, including constraining organic growth in capital.

Accordingly, the Bank of Zambia is reviewing this matter. Therefore and until further notice, commercial banks are with immediate effect directed to discontinue payment of management fees to related/group companies or entities. The prohibition includes but not limited to the following:

- (i) incurring any expenditure or liability on account of services subject to management contract with group/related companies and entities;
- (ii) entering into new arrangements which may create an obligation to pay management fees;
- (iii) recognising management fees in the books of accounts of commercial banks; and
- (iv) payment of management fees.

Commercial banks may contact the undersigned or Director - Bank Supervision for any clarification relating to this Directive.

**Denny H Kalyalya (Dr)**  
**DEPUTY GOVERNOR-OPERATIONS**

Cc Governor