



Telephone 228888/228903/20

Bank of Zambia
P. O. Box 30080
Lusaka 10101.

January 12, 2001

To: All Commercial Banks

CB Circular No 03/2001

Dear Sirs/Madam

OPERATIONS OF TREASURY BILLS AND BONDS PLEDGED UNDER THE ZAMBIA ELECTRONIC CLEARING HOUSE LIMITED

Reference is made to the set of guidelines on the administration of collateralized securities in respect of the Transitional Zambia Clearing House (TZCH) dated 14th July 1997. Kindly be advised that with the coming into effect of the Zambia Electronic Clearing House (ZECH) rules on 19th October 1999, these guidelines are no longer applicable.

Accordingly, the Bank of Zambia would like to advise that with immediate effect commercial banks shall be responsible for the management of their collateralized securities in respect of the release and replacement of collateral for the ZECH. The Bank of Zambia shall handle maturity proceeds of the collateralized securities for ZECH purposes in accordance with clauses 26.2.1 to 26.2.13 of the ZECH rules as follows: -

1. The Bank of Zambia shall credit proceeds of securities maturing on the collateral account to the cash collateral account.
2. The beneficiary commercial bank shall issue instructions to Banking, Currency and Payment System Department to transfer funds from the cash collateral account to the current account, upon providing proof that the bank has deposited eligible securities of the same value as the maturing securities.
3. In the event that the beneficiary member bank does not issue instructions as contained in 2 above and this results in the current account being overdrawn, the bank shall rediscount Treasury bills to cover the overdrawn position in compliance with circulars SCH/CB/17/95 and SCH/CB/3/96.

Yours faithfully

A handwritten signature in dark ink, appearing to read "Dr. Mwenda".

Dr Abraham Mwenda
DEPUTY GOVERNOR – OPERATIONS