



BANK OF ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - ADMINISTRATION

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CB Circular No: 04/2014

To : All Commercial Banks

PROCEDURES FOR FACILITATING OPENING OF STUDENT ACCOUNTS BY COMMERCIAL BANKS

The Bank of Zambia recognizes the various initiatives that financial service providers are implementing to increase levels of access to finance. However, access to formal financial services still remains a big challenge for the majority of the population. In particular, youths, especially those in schools and other learning institutions still remain unbanked. It has come to the attention of the Bank of Zambia that commercial banks are reluctant to deal with this category of the population mainly on account of lack of verifiable Know Your Customer (KYC) information in addition to the fact that this category in most cases does not have permanent sources of income.

The Bank of Zambia has continued to explore ways in which commercial banks can extend basic savings accounts to pupils and students in schools and tertiary education institutions in line with its objective of financial inclusion and also in line with the commercial banks' stated commitments in their Code of Ethics to provide "No Frills Accounts" to the lower segments of the markets. As part of the process to address the KYC challenges, the purpose of this Circular is to provide guidance on the basic Know Your Customer (KYC) requirements that may be implemented for this particular category of potential customers. The KYC procedures provided below take into account the need to balance financial integrity and the objective to increase access to formal financial services.

The following procedure will be sufficient minimum criteria for opening student accounts:

- The pupil/student desiring to open an account shall be required to obtain a written consent from the parent/guardian;
- The learning institution will be required to endorse the letter from the parents/guardian by stamping it with the official date stamp of the school/institution;
- The authorised representative of the institution shall be required to sign the endorsement indicating the grade/level of study of the pupil/student at the school/institution as confirmation that the applicant is a bonafide pupil/student;
- The bank shall be required, upon receipt of such letters, to confirm them with both the school/institution authorities as well as with the parents/guardians; and
- Where the applicant for a basic banking account has attained majority age, the bank shall also be required to retain a certified copy of the National Registration Card (NRC) as part of the KYC documentation.

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It must be noted that while commercial banks are encouraged to open accounts for pupils/students, appropriate measures to monitor activities on these accounts must be put in place. Care must be taken to diligently assess the product risks in combination with other KYC risks that may characterise individual pupils/students. In instances where the bank is not satisfied with certain aspects of the KYC, additional requirements may be imposed on the applicant.

Further, the Bank of Zambia wishes to implore commercial banks to be mindful of account opening requirements that indirectly discriminate against the children and act as barriers to having bank accounts, such as minimum deposit amount or the requirement for the children's parents to be customers of the same bank. The banks must also be mindful of the importance of building the confidence of the children in financial institutions. For instance, depletion of the savings with charges and fees would erode the children's confidence and appreciation of the benefits of saving. In this regard, it is hoped that banks will provide financial incentives in form of lower or no fees and higher interest rates compared to the average market rates.



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