



Bank of Zambia
P.O. Box 30080, LUSAKA
10101

Tel. 228888/ 228903-20

January 23, 2001

CB Circular No . 06/2001

To: All Commercial Banks and Financial Institutions

Dear Sirs/Madam

FOREIGN EXCHANGE RISK EXPOSURES

Kindly refer to Statutory Instrument No. 57 of 1996 of the Banking and Financial Services (Foreign Exchange Risk Management and Exposure Regulation).

Bank of Zambia wishes to announce that with immediate effect, it has reduced the overall foreign exchange exposure limit from the current 25% of regulatory capital to 15%.

(a) MAINTENANCE OF SUPPORTING DOCUMENTATION

Each bank and financial institution shall maintain records, which are sufficient to determine at all times its single currency and overall foreign exchange risk exposures. Each bank and financial institution shall also maintain a daily record showing close-of-business foreign exchange risk exposures on both single currencies and overall exposures, and a reconciliation of opening-to-closing positions.

(b) PENALTIES

Each bank or financial institution shall take steps to correct all foreign exchange risk exposures, which exceed the limits set forth in this circular and in its foreign exchange management plan. Failure to correct any excesses above the limits by the close of business day will attract penalties of 10% of the excess calculated on a daily basis.

Notwithstanding the above penalties, where a bank or financial institution fails to comply with this circular in a manner, which results or threatens to result, in an unsafe or unsound condition, the Bank of Zambia may pursue any other corrective actions provided for under the Banking and Financial Services Act Cap 387 as amended by Act Number 18 of 2000. In addition the Bank of Zambia may prohibit the non-compliant bank or financial institution from engaging in any further foreign exchange activities or impose any sanctions deemed necessary.

(c) GRACE PERIOD

Banks and financial institutions have five working days within which to clear the excess exposures. All excesses after the allowable five working days shall attract the penalties stipulated in this circular.

(d) SUBMISSION OF RETURNS

The daily returns in the format given in Schedule 1 duly signed by the reporting bank's or financial institution's authorized officials covering five days of the week must be submitted to the Bank of Zambia, Financial System Supervision Department on the Monday following the end of the week to which they relate.

(e) EFFECTIVE DATE

The effective date of this circular is 23 January 2001.

Yours faithfully



Dr Abraham Mwenda
DEPUTY GOVERNOR-OPERATIONS

FOREIGN EXCHANGE RISK EXPOSURE

SCHEDULE 1

INSTITUTION:
(To be completed on a daily basis and submitted to Bank of Zambia every Monday)

AS AT:

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
CURRENCY TYPE	USD	GBP	DEM	FRF	ZAR	NLG	ITL	EURO	JPY	OTHERS	TOTAL(ZK)
1. FOREIGN CURRENCY ASSETS											
1.1 Balance Sheet Items											
1.1.1 Cash and Balances with Banks Abroad											
1.1.2 Loans & Advances											
1.1.3 Investments in Govt. Securities											
1.1.4 Other Foreign Assets											
1.2 Off-Balance Sheet Items											
1.2.1 Undelivered Spot Purchases											
1.2.2 Forward Purchases											
1.2.3 Other Off-balance Items											
1.3 Total Foreign Assets (1.1.1 to 1.2.3)											
1.4 Total Foreign Assets (Kwacha)											
2. FOREIGN CURRENCY LIABILITIES											
2.1 Balance Sheet Items											
2.1.1 Balances due to Banks abroad											
2.1.2 Loans & Advances											
2.1.3 Customer deposits											
2.1.4 Other Foreign Liabilities											
2.2 Off-balance Sheet Items											
2.2.1 Undelivered Spot sales											
2.2.2 Forward Sales											
2.2.3 Other Off-balance Sheet Items											
2.3 Total Foreign Liabilities (2.1.1 to 2.2.3)											
2.4 Total Foreign Liabilities (Kwacha)											
3. NET OPEN POSITION											
3.1 Long Position in FCY (where 1.3 less 2.3 is positive)											
3.2 Long Position in Kwacha (where 1.4 less 2.4 is positive)											
3.3 Short Position in FCY (where 1.3 less 2.3 is negative)											
3.4 Short Position in Kwacha (where 1.4 less 2.4 is negative)											
4. SINGLE CURRENCY EXPOSURE											
4.1 Net open position in Kwacha as a %age of regulatory capital											
5. OVERALL FOREIGN EXCHANGE EXPOSURE											
5.1 Exposure (sum of 3.2 and 3.4 in Column 11)											
5.2 Regulatory Capital											
5.3 Exposure (5.1/5.2)%											
5.4 Allowable Exposure (15% of Regulatory Capital)											
5.5 Excess Exposure (5.3 less 5.4)											

Name:.....

CHIEF EXECUTIVE OFFICER

Signature:.....

Date:.....

Name:.....

CHIEF FINANCIAL OFFICER

Signature:.....

Date:.....