



BANK of ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

September 25, 2007

CB Circular No: 06/2007

To: All Commercial Banks


REDUCTION IN STATUTORY RESERVE RATIOS

The Bank of Zambia hereby advises all commercial banks that effective October 1, 2007, the minimum statutory reserve ratios on both the Kwacha and foreign currency deposit liabilities to the public will be reduced to 8.0 percent from 14.0 percent.

The reduction in the statutory reserve ratios is primarily to realign monetary policy tools from direct to market-based instruments. The action is also intended to contribute to the lowering of the high cost of loanable funds in the banking system, as commercial banks take into account the statutory reserve requirements when determining the cost of funds to the borrowing public. Accordingly, commercial banks are expected to take appropriate measures to lower their lending rates to more affordable levels. This is so as to promote economic growth and development.

Commercial banks are further advised that in terms of compliance, the applicable date for the Weekly Return on Selected Assets and Liabilities will be Wednesday September 26, 2007.

This circular supersedes CB Circular No.17/2003 dated October 31, 2003.


Denny H. Kalyalya (Dr)
DEPUTY GOVERNOR – OPERATIONS

cc: Governor