



Bank of Zambia
PO BOX 30080
Lusaka
Zambia

January 23, 2001

CB Circular No 07/2001

To: All Commercial Banks and Financial Institutions

Dear Sirs/Madam

FOREIGN EXCHANGE PLACEMENTS AND DEPOSITS

All banks and financial institutions shall with immediate effect observe the following guidelines when placing their funds with counter parties abroad and when accepting foreign currency deposits from the public.

A) FOREIGN EXCHANGE PLACEMENTS AND DEPOSITS BY BANKS AND FINANCIAL INSTITUTIONS

1. A bank or financial institution shall not place or deposit an amount in excess of forty percent of its total foreign exchange placements and deposits with a foreign related counter-party. Such related party shall have a minimum internationally recognized rating of A.
2. A bank or financial institution shall not place or deposit an amount in excess of sixty percent of its total foreign exchange placements and with a foreign counter-party. Such counter-party shall have a minimum internationally recognized rating of A.
3. A bank or financial institution shall not place or deposit an amount in excess of forty percent of its total foreign exchange placements with a counter-party that has an internationally recognized rating of B but less than A.

4. A bank or financial institution shall not place or deposit an amount in excess of five percent of its total foreign exchange placements and deposits in internationally recognized off-shore banking centers whose laws e.g. secrecy laws, may impede the supervision of the foreign exchange activities of banks and financial institutions by the Bank of Zambia. The aggregate of such placements and deposits should not exceed 5 percent of total foreign exchange placements. The Offshore banking centers include, but are not limited to those listed in the attached list.

5. A bank or financial institution shall not be allowed to place or deposit an amount in excess of twenty percent of its total foreign exchange placements in a non-rated counter-party.

6. Where a correspondent relationship already exists with a counter-party at the coming into force of this circular, banks shall be required to notify the Bank of Zambia the rating of all such counter-parties.

7. A bank or financial institution shall, prior to establishing a correspondent relationship with a bank or financial institution abroad, seek and obtain approval from the Bank of Zambia.

8. International rating agencies recognized by the Bank of Zambia include but not limited to, IBCA, Standard and Poor's, and Moody's.

B) FOREIGN CURRENCY DEMAND DEPOSITS

Holding of foreign currency deposits shall continue, but foreign currency demand deposits will be limited to 25% of the total foreign currency deposits as reported in **Schedule 11A – Analysis of Demand, Savings and Time Deposits** to allow active intermediation by the banks.

C) REPORTING

The daily returns in the format given in **Schedule 1- Report on Foreign Exchange Placements in Foreign Related and Other Organisations** and **Schedule 11A – Analysis of Demand, Savings and Time Deposits** 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.

D) PENALTIES

Failure of any bank or financial institution to observe the above limits shall attract a penalty charge equivalent to 10% per day based on the amount in excess of the limit for the Foreign exchange Placements and 5% per day on the amount in excess of the Foreign Currency Demand Deposits limit.

E) GRACE PERIOD

Where on the effective date of this circular, a bank or financial institution is in violation of the new limits on foreign exchange placements, the bank or financial institution will be required to clear the excess exposures within a period of five working days. All excesses after the allowable five working days shall attract the penalties stipulated in this circular. Any excess limits on foreign exchange demand deposits, will be required to be cleared not later than 28 February 2001.

F) EFFECTIVE DATE

The effective date of this circular is 23 January 2001

Yours faithfully



Dr Abraham Mwenda
DEPUTY GOVERNOR - OPERATIONS

LIST OF INTERNATIONAL OFFSHORE BANKING CENTERS

BERMUDA
BAHAMAS
BELIZE
PANAMA
CAYMAN ISLES
ARUBA
NETHERLANDS ANTILLES
MONTSERRAT
BARBADOS
ANTIGUA
ANGUILLA
VIRGIN ISLANDS
TURKS AND CAICOS
ALDERNEY
JERSEY AND GUERNSEY
DUBLIN
ISLE OF MAN
GIBRALTAR
MONACO
LUXEMBOURG
IECHTENSTEIN
SWITZERLAND
MALTA
CYPRUS
DUBAI
BAHRAIN
SINGAPORE
HONG KONG
MAURITIUS
LABUAN
WESTERN SAMOA
VANUATA
COOK ISLANDS

REPORT ON FOREIGN EXCHANGE PLACEMENTS IN FOREIGN RELATED AND CORRESPONDENT ORGANISATIONS

Amounts in Kwacha Millions

		Rating & Rating Agency	Monday	Tuesday	Wednesday	Thursday	Friday
	<u>Related Organisations</u>						
1							
2							
3							
4							
5							
	<u>Other Organisations</u>						
1							
2							
3							
4							
5							
	Total Foreign Currency Placements						

Signature_____

(Chief Executive Officer)

Signature_____

(Chief Finance Officer)

Date -----

Date-----