



BANK of ZAMBIA
OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

November 16, 2012

CB Circular No: 21/2012

To : All Commercial Banks

CASH ADVANCE TO COMMERCIAL BANKS FOR THE CURRENCY REBASING EXCHANGE EXERCISE

As you may be aware, the Bank will issue into circulation the rebased currency as legal tender and a medium of exchange on 1st January 2013. Consequently, the withdrawal of the old banknotes and coins will commence on 1st January 2013. The Bank will thereafter primarily be responsible for the distribution of the rebased currency and withdrawal of the old banknotes and coins throughout the country.

In order to carry out this task seamlessly, the Bank will utilize the extensive networks of commercial banks across the country. To ensure that adequate cash is available to commercial banks, particularly at the inception of the exercise, the Bank has decided to support commercial banks by availing to them upfront cash advances. These cash advances shall facilitate a smooth cash exchange exercise given the liquidity pressure that may result from attending to non-customers. It will however, be availed to banks for an initial period of up to one month.

In view of the above, the Bank of Zambia has prepared a concept paper that will govern the provision of cash advances to commercial banks. Given the fact that commercial banks expressed discontent with the idea of supporting the cash advance with collateral, the Bank has arrived at a compromise which involves placing liens on the assets of respective commercial banks for recourse in the event of any bank defaulting on the repayment of the advance.

Further, each commercial bank will be required to enter into an Agreement with the Bank of Zambia before cash advances can be availed. The relevant draft contracts will be forwarded in due course for review by respective commercial banks.

Kindly find attached hereto, the concept paper that shall govern the cash advance system for ease of reference.

Should you require any clarifications, please do not hesitate to contact the undersigned.

Bwalya K. E. Ng'andu (Dr)
DEPUTY GOVERNOR – OPERATIONS

Cc: Governor
Deputy Governor – Administration