



BANK OF ZAMBIA
OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

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30 November, 2001

CB Circular No 28/2001

To: All Commercial Banks

Dear Sirs / Madams

WEEKLY RETURN OF SELECTED ASSETS AND LIABILITIES

The Bank of Zambia (BoZ) has observed that commercial banks continue to significantly overstate their central government deposits and understate their total deposit liabilities with the public in the **Weekly Return of Selected Assets and Liabilities (WRSAL)** that is submitted every Friday to BoZ through the Director – Financial Markets. This is clearly evident when one compares the government deposit and total liabilities to the public as submitted in the WRSAL with those obtaining in the reconciled monthly balance sheet returns and supporting schedules. One effect of these disparities is that commercial banks maintain lower statutory reserve balances on both Kwacha and foreign currency deposit liabilities at BoZ than is required by law, and this undermines the effectiveness of monetary policy.

With effect from Monday 10th December 2001, **central government deposits and total liabilities to the public** reported in the WRSAL must be consistent with the required classification in the monthly balance sheet and supporting schedules that are submitted to BoZ. Commercial banks should note that the WRSAL to be submitted on Friday 7th December 2001 that reflects the Wednesday position of 5th December 2001 must thus comply with this directive.

In order to ensure that commercial banks comply with this directive, commercial banks must submit a detailed breakdown of their government deposits that they report in their weekly returns in both hard and soft copy format. Only those accounts certified as Government deposits should be subtracted from total deposits for the purpose of calculating the required statutory reserves and core liquid assets. In this regard, for each commercial bank that reported government deposits in its end-September balance sheet, a

detailed schedule of its central government accounts is attached. We also draw your attention to CB Circular N 5/2000 that clarified the definition of central government deposits.

Should commercial banks fail to provide the correct information on central government deposits (to be verified by the detailed schedule of central government accounts) BoZ will use the verified central government deposits from the most recently submitted balance sheet whose government accounts have been verified by both BoZ and the Ministry of Finance and Economic Development (MoFED). Furthermore, where the total deposit liabilities with the public reported in the WRSAL are found to have differed materially with the corresponding balance sheet data then the balance sheet data will be used for the purpose of calculating the required statutory reserves and liquid assets and charges for incorrect returns and any shortfalls on statutory and core liquid asset ratio's will be levied retrospectively.

Any clarification on this circular should be channeled through the Director - Financial Markets

Yours faithfully,



Abraham Mwenda (Dr)
DEPUTY GOVERNOR – OPERATIONS.

cc **The Accountant General,**
 Ministry of Finance and Economic Development (MoFED)