



**Bank of Zambia**

**OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS**

BOZ/EXE/DGO/fmkt/pm

June 5, 2024

CB Circular No. : 11/2024

To : All Heads of Commercial Banks

**GOVERNMENT SECURITIES AS AN ADDITIONAL ASSET CLASS FOR MINIMUM RESERVE REQUIREMENTS**

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Reference is made to the above matter.

Pursuant to Gazette Notice No.547 of 2024, the Bank of Zambia (the Bank) wishes to advise all commercial banks that, with effect from Monday, June 3, 2024, Government securities issued by the Government of the Republic of Zambia have been designated as an additional asset class to be considered for purposes of complying with the minimum reserve requirement.

The Bank shall specify eligible Government securities for this purpose. This means that a commercial bank can comply with the existing statutory reserve ratio, currently at 26%, by holding a combination of funds on deposit at the Bank of Zambia and the eligible Government securities. The face value of securities in this combination shall not exceed 40% of the minimum kwacha statutory reserve requirement as reported in the *Commercial Banks' Weekly Return of Selected Assets and Liabilities* as at Wednesday, 29 May 2024.

By this Circular, the Bank is hereby inviting commercial banks to express interest to purchase any of the Government bonds in the attached Invitation Document. Commercial banks shall not bid for total securities amounting to more than 40% of their respective minimum kwacha statutory reserve requirement. Bids shall be made electronically in the CSD at Bank of Zambia no later than 14:00 hours on Thursday, June 6, 2024.

Only Government bonds purchased in this auction shall be eligible for statutory reserve requirement and shall be based on their face value amount.

This measure is intended to moderate the cost of intermediation and provide flexibility to statutory reserve requirement compliance.

**Francis Chipimo (PhD)**  
**DEPUTY GOVERNOR – OPERATIONS**

cc Governor



**BANK of ZAMBIA**

## **INVITATION DOCUMENT**

### **GOVERNMENT SECURITIES AUCTION INVITATION TO COMMERCIAL BANKS**

On behalf of the Government of the Republic of Zambia, the Bank of Zambia invites applications from commercial banks to participate in this Government Bond Auction Number 5A/2024/BA to be held on Thursday, June 6, 2024, and settle on the same day to acquire securities to be recognized as part of statutory reserve requirements in line with the Gazette Notice No. 547 of 2024. The following are the instruments on offer:

<b>Tenor</b>	<b>2 Years</b>	<b>3 Years</b>	<b>5 Years</b>
<b>Yield Rate</b>	<b>17%</b>	<b>20%</b>	<b>22%</b>
<b>ISIN</b>	<b>ZM1000006730</b>	<b>ZM1000006388</b>	<b>ZM1000006396</b>
<b>Maturity Dates</b>	6 June 2026	6 June 2027	6 June 2029
<b>Coupon Dates</b>	6 December, 6 June	6 December, 6 June	6 December, 6 June
<b>Description</b>	<b>New Issue</b>	<b>New Issue</b>	<b>New Issue</b>

#### **Bond Auction Conditions:**

1. The pricing will be based on the immediate past bond auction (Government Bond Auction Number 5/2024/BA).
2. The minimum value of each application will be **K10,000,000.00 (Ten million Kwacha)**. The maximum will be 40% of your **minimum** statutory reserve requirement based on deposits reported in the Commercial Banks' Weekly Return of Selected Assets and Liabilities as at Wednesday, 29 May 2024.
3. The bonds will be issued at par.
4. The bonds will be marketable and will trade like any other Government bond.
5. The offers will settle on Delivery Versus Payment (DvP) basis at (T+0) in the CSD.
6. Funds to be used to purchase these securities must be transferred from the Kwacha Statutory Reserve Account to Settlement Account upon a successful award of the Government bond(s).
7. Bid submission shall be made in the CSD no later than **14:00 hours on Thursday, June 6, 2024**.
8. The Bank reserves the right to reject any bids not conforming to the prescribed conditions.

#### **Interest Payment:**

9. Coupon Interest shall be paid semi-annually based on Actual/365 days from the date of settlement.

**General conditions of issue:**

10. The Bank of Zambia will not rediscount any bonds issued.
11. Coupon interest will be subject to **withholding tax (currently at 15%) and handling fee (currently at 1%)**.
12. Coupon interest will be paid every six months from the date of settlement until maturity.
13. Coupon and Maturity payments on a non-business day shall be paid on the next business day.
14. The Government bonds purchased in this auction may be held as part of the statutory reserve compliance.

For further information and clarification please contact:

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