



BANK of ZAMBIA

**REQUIREMENTS FOR SETTING UP A MICROFINANCE
INSTITUTION IN ZAMBIA**

REQUIREMENTS FOR SETTING UP A MICROFINANCE INSTITUTION IN ZAMBIA

INTRODUCTION

The Banking and Financial Services Act (BFSA), 2017, gives the Bank of Zambia the authority to license, regulate and supervise banks and other financial institutions registered under the referred Act. The objective of the Bank of Zambia in this regard is to ensure and promote a safe and sound financial system.

Parts 1 and 2 of Chapter II of the BFSA relate to the licensing of banks and non-bank financial institutions. These guidelines focus on the licensing requirements for non-bank financial institutions.

The non-bank financial institutions sector includes leasing companies, bureau de change, microfinance institutions, building societies, as well as institutions like Development Bank of Zambia and National Savings and Credit Bank. The licensing requirements may vary slightly depending on the category of financial institution.

PART 1

1.0 NAME CLEARANCE

- 1.1 A company intending to apply to operate as a microfinance institution shall be required to write to the Registrar of Financial Service Providers (“the Registrar”) submitting the proposed name of the institution for clearance.

PART 2

2.0 LICENSING REQUIREMENTS

- 2.1 To operate a microfinance institution in Zambia, it is a requirement that the Institution be registered with the Bank of Zambia.
- 2.2 The following forms, which can be collected from the Bank of Zambia or downloaded from the Bank of Zambia website, must be completed and submitted by the applicant to the Registrar at the Bank of Zambia:
- (i) An application form (**Form MFI**) completed by the promoters of the microfinance institution;
 - (ii) The **Directors and Officers Questionnaire** and **Vital Statistics Forms** filled out by prospective directors, shareholders, chief executive officer as well as the chief financial officer;
 - (iii) Certified copies of identities, that is, National Registration Cards or Passports;
 - (iv) In case of foreigners, Interpol Clearance certificates from their countries of origin must be submitted;
 - (v) Certified copies of academic and professional qualifications; and

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- (vi) Curriculum vitae, including details of nationality and residence, for the senior management and full names of three referees with their contact details (i.e. proposed directors, chief executive officer, Chief Risk Officer, Chief Compliance Officer and chief financial officer) of the proposed microfinance institution.

2.3 The above stated forms must be accompanied by the following:

- (i) Certificate of Incorporation, Share Capital and Articles of Association for the company;
- (ii) Evidence of minimum required capital for the category of Microfinance institution in this case deposit taking microfinance institution. The evidence shall be in the form of a letter from an audit firm registered with the Zambia Institute of Chartered Accountants, latest audited financial statements and a bank statement.
 - a) The minimum capital requirements for Microfinance institutions are shown in **Table 1** below:

Table 1: Minimum Capital Requirements for Microfinance Institutions (MFIs)

Deposit-Taking Microfinance Institution	K2,500,000.00
Non Deposit-Taking Microfinance Institution	K100,000.00

- (iii) Source of the initial capital to be invested and that of any future funding shall be disclosed to the Bank of Zambia
- (iv) A business plan with financial projections and forecasts for a minimum of three years from commencement date. This should include an income statement, balance sheet, cash flow statement and a copy of the accounting policies to be adopted by the proposed microfinance institution. Underlying assumptions must be clearly stated in the business plan;
- (v) Audited financial statements (where applicable) of the company for the year immediately preceding the application;
- (vi) Any other documents in support of the application, as may be requested by the Bank of Zambia.

PART 3

3.0 LICENSING PROCEDURES

3.1 Application Fees

3.1.1 The applicant is required to pay the following:

- (a) A non-refundable application fee of K5,400.00 for deposit taking microfinance institutions and K1,000.00 for non-deposit taking microfinance institutions payable at the time of making the application; and,
- (b) Security screening fees for shareholders, directors and senior staff in this case Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Compliance Officer as depicted in Table 2 below:

Table 2: Security Screening Fees

Category	Fee
Clearance of Zambians based locally	K84.00
Clearance of Zambians resident outside the country	K 795.00
Local clearance of foreigners resident in Zambia. (All foreign nationals must submit Interpol clearance certificates from their country of origin, immigration and work permits. For those who have lived in Zambia for more than six months, Zambia Police clearance must be provided)	K 795.00

(c) Upon grant of a licence, pay an annual licence fee applicable to the category of microfinance institution and payable at the beginning of each year. **Table 3** below shows the applicable annual licence fees for microfinance institutions.

Table 3: Bank of Zambia Fee Structure

Licence Category	Deposit-Taking Microfinance Institution	Non Deposit-Taking Microfinance Institution
Annual Licence Fee	K2,700.00	K 600.00

The application, security screening and licence fees may be paid by cheque or by electronic funds transfer method or such other method as may be prescribed by the Bank of Zambia from time to time.

3.2 Processing of Application

- 3.2.1 Upon receipt of a complete application, the Bank of Zambia shall, within 120 days, review the application and determine whether a license should be granted to the applicant or not.
- 3.2.2 An application is considered to be complete when all the necessary documents have been submitted and the application fee has been paid. Upon receipt of a complete application, the Bank of Zambia shall inform the applicant that it has received a complete application and the stipulated days for consideration of an application referred to in 3.2.1 will commence from this date.
- 3.2.3 Where the Registrar is satisfied that the applicant:
- (a) is fit and proper and has met all the requirements of the Banking and Financial Services Act, Chapter 387 of the Laws of Zambia; and
 - (b) has met all the requirements set by the Bank of Zambia,

the Registrar may then consider approving the application.

3.3 Appeal against decision not to award a licence

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When an application has been rejected by the Registrar, the applicant may make written representations to the Registrar who may then reaffirm, modify or revoke his/her decision. Where the Registrar reaffirms his decision to reject the said application, the applicant may within 7 days of receipt of the rejection appeal to the Minister of Finance and National Planning who shall appoint a three-person Tribunal to preside over the appeal. The decision of the Tribunal is final and binding on the parties except as to a point of law i.e. where the decision is in direct conflict with the law.

PART 4

4.0. Post-Licence Requirements

4.1 When the requirements under Part 2 have been fulfilled and the Registrar has approved the application, the applicant will be required to provide evidence of fulfilment of the minimum requirements for the premises of a microfinance institution. When the premises are ready, the Bank of Zambia will conduct an inspection of the premises.

4.2 The premises where a microfinance institution is licensed to operate should meet the following minimum requirements:

- a) Possession of a lease agreement, where the premises are on lease or a Certificate of Title, where the premises are owned by the company (i.e., the microfinance institution);
- b) Suitable location in an area that meets the needs of the targeted clientele;
- c) Proper offices for the conduct of intended business;
- d) The name of the microfinance institution should be prominently displayed on the building in which the microfinance institution is housed;
- e) Telephone, facsimile and email facilities;
- f) Safe (s);
- g) Adequate security measures e.g. electronic alarm, security guard(s), etc.; and
- h) Any other requirements, as may be advised by the Bank of Zambia.

PART 5

5.0. Issuance of a microfinance institution/business licence

5.1 Upon approval of the application and payment of the annual licence fee, the Registrar shall issue the applicant with a microfinance institution licence to conduct microfinance business.

5.2 When a licence is granted, it is subject to a number of conditions and is valid until revoked by the Bank of Zambia or surrendered by the microfinance institution.

5.3 Once a microfinance institution is registered, it becomes subject to the supervisory powers of the Bank of Zambia as provided for in the Bank of Zambia Act and the BFSAs. A microfinance institution is also supposed to adhere to regulatory and

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prudential requirements relating to, inter alia, reserves, capital adequacy, liquidity, restrictions on lending and exposures to insiders.

5.4 All microfinance institutions operating in Zambia are supervised by the Non-Bank Financial Institutions Supervision Department of the Bank of Zambia.

PART 6

6.0 Other Requirements

The following are some of the key requirements that microfinance institutions are supposed to take into account:

- 6.1 Once licensed, the microfinance institution shall be subjected to regular on-site and off-site inspections;
- 6.2 The microfinance institution shall be expected, inter alia, to file monthly prudential returns;
- 6.3 A microfinance institution shall not close a branch without giving the Bank of Zambia notice, as provided for under the Banking and Financial Services Act;
- 6.4 A microfinance institution shall not change its shareholders, directors, senior managers or its name without prior written approval from the Bank of Zambia;
- 6.5 A microfinance institution shall ensure that it is compliant with sections 25 and 35 of the BFSA at **all times**;
- 6.6 A microfinance institution shall ensure that it has a Compliance Officer who shall, *inter alia*, ensure that a microfinance institution complies with the provisions of the BFSA, the Prohibition and Prevention of Money Laundering Act, Number 14 of 2001 and all other relevant legislation. A microfinance institution shall also ensure that it has adequate internal anti-money laundering policies, guidelines and training programs upon commencement of business;
- 6.7 A microfinance institution shall submit to the Bank of Zambia such other information as may be required by the Bank of Zambia from time to time.

PART 7

7.0 Contact Details

Further queries relating to requirements for operating a microfinance institution should be addressed to the Registrar of Financial Service Providers. The contact details are as follows:

The Registrar of Financial Service Providers
Bank of Zambia
7th Floor, Executive Building
Bank Square, Cairo Road
P. O. Box 30080
Lusaka, Zambia 10101

Telephone: +260 211 399300, 0971 270090, 096 3884820

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Email.: info@boz.zm

Information on the requirements for setting up a microfinance institution is also available on the Bank of Zambia website: www.boz.zm.