



BANK OF ZAMBIA
OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

January 30, 2012

CB Circular No: 02/2012

To: All Commercial Banks

NEW CAPITAL ADEQUACY FRAMEWORK

The Bank of Zambia has decided to review the capital adequacy framework and this will entail the classification of commercial banks into (i) locally owned banks and (ii) foreign owned banks.

A locally owned bank refers to a bank licensed by the Bank of Zambia where at least fifty-one (51) percent of its equity is owned by Zambian citizens and/or entities incorporated in Zambia that have at least fifty-one percent equity owned by Zambian citizens.

A foreign owned bank refers to a bank licensed by the Bank of Zambia where more than forty-nine (49) percent of its equity is owned by foreign entities.

In addition, the minimum primary capital requirement for commercial banks will be adjusted upwards to K104 billion for locally owned banks and K520 billion for foreign owned banks; made up of at least *eighty* percent in nominal paid-up common shares (nominal paid-up equity capital) and the balance may be held only in any one or more of the following;

- (i) Share premium or contributed surplus as verified by an independent auditor;
- (ii) Retained income (retained earnings) as verified by an independent auditor;
- (iii) General Reserves as verified by an independent auditor; and
- (iv) Statutory reserves as verified by an independent auditor

To facilitate the effective implementation of this measure, the Bank of Zambia will shortly cause to be published, in the Government Gazette, the revised minimum primary capital requirement.

Commercial banks which do not meet the revised minimum capital requirement on the date of publication of the Government Gazette will be given up to 31 December 2012 to progressively build up their primary capital to the required amount on the condition that they submit a recapitalization plan that complies with the minimum acceptable progressive recapitalization plan set below:

1. At least 30% of the required amount by 30 June 2012;
2. An additional 30% to bring the cumulative amount to at least 60% of the required amount by 30 September 2012; and,
3. The balance of the entire required amount by 31 December 2012.

Please note that the Bank will be making an appropriate recommendation to the Minister to facilitate the harmonization of regulations and statutory prescriptions that have an impact on capital adequacy requirements.

Commercial banks may contact the Director – Bank Supervision Department at wkalumba@boz.zm for any clarification relating to this Circular.



Bwalya K. E. Ng'andu (Dr.)
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