



BANK of ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

February 21, 2008

CB Circular No: 03/2008

To: All Commercial Banks

IMPLEMENTATION OF ITEM VALUE LIMITS

1. The National Payment Systems Act (NPSA) No. 1 of 2007 enacted on June 15, 2007 empowers the Bank of Zambia to develop and implement payment, clearing and settlement systems policies so as to promote efficiency, stability and safety of the Zambian financial system. Furthermore, section 5 (3) (b) of the NPSA provides that the Bank of Zambia may issue and vary guidelines to be followed by participants with respect to payment orders.

2. In line with the above, the Bank of Zambia in collaboration with the Bankers Association of Zambia introduced the Item Value Limits (IVL) on the Cheque and DDACC payment streams. The deadline for accepting cheques above the K100 million threshold was November 30, 2007 for all customers except Government. Following consultations between Bankers Association of Zambia and Government, the final implementation date for Government cheques was set as January 2, 2008.

3. The Bank of Zambia, therefore, wishes to advise all commercial banks to ensure that they develop and institute measures to successfully implement the initiative. These measures should include ensuring that customers are sensitised on the effects of implementing IVL by putting up notices in all bank branches. The notices should clearly state which payment streams are affected by IVL and the limits that have been agreed. In this regard, the notices should clearly highlight the following details:

- i. Cheques above K100 million will not be processed in the Clearing House;
- ii. Direct Credits above K100 million will not be processed in the Clearing House;
- iii. Direct Debits above K50 million will not be processed in the Clearing House; and
- iv. All payments above the above limits will be processed in ZIPSS/RTGS, together with all time critical payments below the limits.

Provisional Measures for Government Cheques

4. Commercial banks shall undertake measures to allow smooth implementation of IVL for Cheque and DDACC orders issued by Government. Government cheques written in the year 2007, which are above the K100 million limit shall be honoured by commercial banks to cater for the six months validity period of cheques. However, cheques written in the year 2008, which are above the K100 million limit shall not be accepted by commercial banks for deposit.

5. The above measures take effect immediately.



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DEPUTY GOVERNOR – OPERATIONS

Cc: Governor