



**BANK OF ZAMBIA**

**OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS**

October 21, 2011

CB Circular No.: 05/2011

To : All Commercial Banks  
: Non Bank Financial Institutions

**THE BANK OF ZAMBIA DIRECTIVE (MODIFIED)**

---

**THE BANKING AND FINANCIAL SERVICES ACT (IMPLEMENTATION OF THE UNITED NATIONS SECURITY COUNCIL RESOLUTION 2009(2011) ON LIBYA**

**In exercising the powers contained in section one hundred and twenty five of the Banking and Financial Services Act, of the Laws of Zambia, the following directives which take immediate effect, are hereby made:**

**1. Background**

This Directive is issued following the recall by the UN Security Council of its Resolutions 1970 (2011) of 26 February 2011 and 1973 (2011) of 17 March 2011. The two resolutions have been replaced by UN Security Council Resolution 2009 (2011). Following the Resolution 2009 (2011) CB Circular No. 03/2011 and letter dated 14<sup>th</sup> June 2011 which implemented the UN Security Council Resolutions in particular the asset freezing provisions is hereby modified.

**2. Modified asset freezing provisions**

In line with the United Nations Security Council Resolution 2009 (2011) the Bank of Zambia directs that the Libyan National Oil Corporation (LNOC) and Zueitina Oil Company shall no longer be subject of the asset freeze and other measures imposed by CB Circular No. 03/2011.

The Bank of Zambia Further directs that this Circular modifies the asset freeze in respect of the following entities:

- Central Bank of Libya;
- Libyan Arab Foreign Bank (LAFB);
- Libyan Investment Authority (LIA); and
- Libyan Africa Investment Portfolio (LAIP)

- i. Such that funds, other financial assets and economic resources held outside Libya by the entities mentioned above that were frozen as of **16 September 2011** in accordance with CB Circular No. 03/2011 which gave effect to the UN Security Council Resolutions 1970 (2011) of 26 February 2011 and 1973 (2011) of 17 March 2011 **shall remain frozen**.
- ii. Except as provided for (i) above, the Directive removes the prohibition on making funds, other financial assets, or economic resources available, directly or indirectly, to or for the benefit of the four entities.
- iii. Further note that the above do not apply to funds, other financial assets, or economic resources relating to the operations of Zambia Telecommunications Limited (Zamtel).

### **3. Application of the modified asset freeze**

- i. The modified asset freeze means that funds, other financial assets and economic resources belonging to, owned, held or controlled, directly or indirectly by Central Bank of Libya, Libyan Arab Foreign Bank, Libyan Investment Authority and Libyan Africa Investment Portfolio which were received or generated after 16 September 2011 are **not** subject to the asset freeze measures and there is no prohibition on conducting new transactions with those entities. Funds not subject to the asset freeze can be used as directed by the entities, including meeting obligations that arose before 16 September 2011.
- ii. As from 16 September 2011, interest or other earnings on the frozen funds of the four entities, including dividends on shares, will not be frozen. However, any appreciation in value of frozen assets will remain frozen.
- iii. For example, where one of the four entities holds units in an investment fund, any future income distributions on the units, reflecting dividends and increase in value of the underlying shares will not be frozen. If the dividends are accumulated within the fund, leading to an increase in the value of the units, then the units themselves remain frozen.
- iv. There is no prohibition on dealing with the entities, including arranging new contracts with them. It is not prohibited to arrange new letters of credit with, or involving, the entities. However, payments from the funds of the four entities frozen as at 16 September 2011 can only be made with prior authorization of the Bank of Zambia.

### **4. Consolidated List**

Banks and Non-bank Financial Institutions are further advised to access and use the most up-to-date Consolidated List from the United Nations Website at [www.un.org/docs/sc/un\\_resolutions/](http://www.un.org/docs/sc/un_resolutions/), which has been updated to reflect that the asset freeze on the four entities applies only to assets held frozen as at 16 September 2011. All other persons designated under the Libya restrictive measures remain subject to the full asset freeze prohibitions.



## 5. Exemptions

- i With regards to the funds, other financial assets and economic resources owned or controlled directly or indirectly by the four entities referred to in paragraph 2 that remain frozen, the Directive, in accordance with Resolution 2009 (2011), provides for Member States to issue exemption for:
- humanitarian needs;
  - fuel, electricity and water for strictly civilian uses;
  - resuming Libyan production and sale of hydrocarbons;
  - establishing, operating, or strengthening institutions of civilian government and civilian public infrastructure; or
  - Facilitating the resumption of banking sector operations, including supporting or facilitating international trade with Libya.

For any queries and clarifications, contact our Supervision Departments.



**Bwalya K E Ng'andu (Dr)**  
**DEPUTY GOVERNOR - OPERATIONS**