



BANK OF ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - ADMINISTRATION

March 19, 2014

CB Circular No: 07/2014

To: All Commercial Banks

INCREASE IN THE OVERNIGHT LENDING FACILITY RATE

The Bank of Zambia wishes to advise all commercial banks that with immediate effect, the Overnight Lending Facility (OLF) rate will be set at 600 basis points above the prevailing Bank of Zambia Policy rate.

Further, a commercial bank will only be allowed to access the OLF window once in a week. Any additional requirement of overnight funds will only be granted once a satisfactory explanation of the concerned bank's inability to remedy its liquidity shortage from other sources is presented to the Bank of Zambia.

Consequently, the change entails that the automatic route for accessing overnight funds by commercial banks will henceforth be discontinued. The Bank will revert to the system of automatic rediscounting of securities in instances where a bank fails to repay an intraday loan.

These measures are in line with the Bank's monetary stance aimed at addressing the prevailing excess liquidity conditions in the market and its consequential impact on inflation.

The Bank of Zambia will review the conditions for accessing the OLF from time to time.

Tukiya Kankasa-Mabula (Dr)

DEPUTY GOVERNOR – ADMINISTRATION

Cc Governor