



REPUBLIC OF ZAMBIA

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GAZETTE NOTICE No. 190 OF 2010

The National Payment Systems Act (Act No. 1 of 2007)

The National Payment Systems Directives on Cheques and Direct Debit Instructions Issued on Insufficiently Funded Accounts, 2010

WHEREAS, the proper use of bank accounts and the function of cheques and direct debit instructions as instruments of payment is crucial in a modern society; and

WHEREAS, the Bank of Zambia is entrusted with the responsibility of regulating, overseeing and maintaining an efficient, sound and safe financial and payment system; and

WHEREAS, it is the intention of the Bank of Zambia to protect the integrity of the payment, clearing and settlement system.

NOW THEREFORE, IN EXERCISE of the powers contained in section forty-three of the National Payment Systems Act, 2007, the following Directives are hereby made:

PART I PRELIMINARY

Title

1. These Directives may be cited as the National Payment Systems Directives on Cheques and Direct Debit Instructions issued on insufficiently funded accounts, 2010.

Application

2. These Directives apply to the Bank of Zambia and to all banks licensed under the Banking and Financial Services Act.

Interpretation

3. In these Directives, unless the context otherwise requires—

‘Act’ means the National Payment Systems Act, 2007;

‘Bank of Zambia’ means the Bank of Zambia established under the Bank of Zambia Act;

‘bank’ shall have the meaning assigned to it in the Banking and Financial Services Act;

‘collecting bank’ means the bank to whom a cheque or Direct Debit Instruction is presented and includes the Bank of Zambia.

‘customer’ shall mean a person who signs and issues a cheque or Direct Debit Instruction but does not include Government.

‘direct debit’ means a payment stream under which funds are transferred electronically from one bank account to another.

‘direct debit instruction (DDI)’ means an instruction in writing by a customer authorising the Paying Bank to pay specified amounts of money, on specified dates from the customer’s bank account.

‘dishonoured cheque’ means a cheque which when presented for payment is returned unpaid due to insufficient funds in the drawers account.

‘dishonoured direct debit instruction’ means a Direct Debit Instruction which upon receipt cannot be executed by the Paying Bank due to insufficient funds in the payer’s account.

‘paying bank’ shall have the meaning assigned to it under the National Payment Systems Act and includes the Bank of Zambia.

4. All other capitalised terms used herein and not otherwise defined in these directives shall have the same meanings as those defined in the Act.

PART II

ACTION TO BE TAKEN BY PAYING BANK

5. A paying bank which receives a cheque or direct debit instruction on an insufficiently funded account shall levy the following fees against the customer:

- (a) One thousand seven hundred penalty units per cheque or direct debit instruction dishonoured for individual customers,
- (b) Two thousand eight hundred penalty units per cheque or direct debit instruction dishonoured for corporate customers.

All fees so levied shall be reported to the Bank of Zambia at the end of each reference month, as prescribed in schedules I and II.

6. Withdrawal of Cheque Facility and Cancellation of Direct Debit Instruction—

- (a) Every bank shall maintain a Register where all dishonoured cheques and direct debit instructions shall be recorded. The register shall contain all relevant details concerning the customer, cheque or direct debit instruction.
- (b) Where cheques issued by a customer are dishonoured on *three* occasions within a period of *twelve consecutive months*, the paying bank will withdraw the chequing account facility and inform the customer in writing. The written notice of withdrawal should contain, at the minimum, a list of the dishonoured cheques with the dates, cheque numbers, payees and amounts. The written notice shall also instruct the customer not to issue any more cheques and henceforth to surrender their cheque book(s) within thirty days.
- (c) A paying bank shall review the status of the customer whose chequing facility has been withdrawn after one year from the date the facility was withdrawn.
- (d) Where direct debit instructions issued by a customer are dishonoured on *three* occasions in a period of *twelve consecutive months*, the paying bank will withdraw the direct debit facility and inform the customer in writing. The written notice shall contain, at the minimum, a list of the dishonoured instructions including the dates, payees and amounts. The withdrawal of the facility shall also be communicated to the beneficiary bank designated on the direct debit instruction.
- (e) A paying bank shall review the status of the customer whose direct debit facility was withdrawn after one year from the date the facility was withdrawn.
- (f) Nothing in this part precludes a bank from taking any other action it deems necessary in the event of fraud.

7. Where a paying bank finds that there are insufficient funds on an account on which a cheque or direct debit instruction has been issued, the bank shall return the cheque or instruction to the collecting bank within the period stipulated in the clearing house rules.

8. Notwithstanding regulation 7, a paying bank shall send an electronic notice through email, telex or fax to the collecting bank, before the dishonoured cheque or instruction is physically returned, within the period stipulated in the clearing house rules.

PART III

ACTION TO BE TAKEN BY THE COLLECTING BANK

9. A collecting bank shall not impose any fee, charges or any other levy on any customer who has deposited a cheque or cheques that have been dishonoured due to insufficient funds.

10. A collecting bank shall not impose any fee, charges or any other levy on a services provider who presents a direct debit instruction that has been dishonoured due to insufficient funds.

PART IV

ADDITIONAL MEASURES TO BE IMPLEMENTED BY BANKS

11. Every bank shall submit, to a credit reporting agency, names of all customers whose cheques or direct debit instructions have been dishonoured due to insufficient funds on their account no later than 7 days after the occurrence; and

12. Every bank shall—

- (a) submit to the Bank of Zambia within *six (6)* working days following the end of month, returns on dishonoured cheques and direct debit instructions in the form prescribed in Schedules I and II; and
- (b) If requested by the Bank of Zambia, submit further detailed information on any dishonoured cheques and/or direct debit instructions.

PART V

PENALTIES FOR NON-COMPLIANCE WITH DIRECTIVES

13. Any person or bank which contravenes these directives shall be guilty of an offence and shall be liable to the penalty stipulated under Section 43 of the Act.

PART VI

MISCELLANEOUS PROVISION

14. Every bank shall bring to the attention of its customers the consequences of issuing cheques or direct debit instructions on insufficiently funded accounts as provided in these directives.

DENNY H. KALYALYA (DR),
Deputy Governor-Operations

SCHEDULE I (a)
(Directive 12)

SCHEDULE OF DISHONOURD STAFF CHEQUES

Name of Paying Bank: _____

For the Period: _____

No.	Date	Drawer				Payee			Times This Year	Account Status (i.e. open or closed)	Penalty fees collected
		Name	Account No.	Cheque No.	Amount	Name	Bank	Branch			
1											
2											
3											
4											
5											
....											
....											
TOTAL											

Authorised Signatory: _____

Authorised Signatory: _____

Date: _____

Date: _____

SCHEDULE I (b)
(Directive 12)

SCHEDULE OF DISHONOURD INDIVIDUAL CUSTOMER CHEQUES

Name of Paying Bank: _____

For the Period: _____

No.	Date	Drawer				Payee			Times This Year	Account Status (i.e. open or closed)	Penalty fees collected
		Name	Account No.	Cheque No.	Amount	Name	Bank	Branch			
1											
2											
3											
4											
5											
....											
....											
TOTAL											

Authorised Signatory: _____

Authorised Signatory: _____

Date: _____

Date: _____

SCHEDULE I (c)
(Directive 12)

SCHEDULE OF DISHONoured CORPORATE CUSTOMER CHEQUES

Name of Paying Bank: _____

For the Period: _____

No.	Date	Drawer				Payee			Times This Year	Account Status (i.e. open or closed)	Penalty fees collected
		Name	Account No.	Cheque No.	Amount	Name	Bank	Branch			
1											
2											
3											
4											
5											
....											
....											
TOTAL											

Authorised Signatory: _____

Authorised Signatory: _____

Date: _____

Date: _____

SCHEDULE II (a)
(Directive 12)

SCHEDULE OF STAFF DISHONoured DIRECT DEBIT INSTRUCTIONS

Name of Paying Bank: _____

For the Period: _____

No.	Date	Drawer				Payee			Times This Year	Account Status (i.e. open or closed)	Penalty fees collected
		Name	Account No.	DDMandate No.	Amount	Name	Bank	Branch			
1											
2											
3											
4											
5											
....											
....											
TOTAL											

Authorised Signatory: _____

Authorised Signatory: _____

Date: _____

Date: _____

SCHEDULE II (b)
(Directive 12)

SCHEDULE OF INDIVIDUAL CUSTOMERS DISHONoured DIRECT DEBIT INSTRUCTIONS

Name of Paying Bank: _____

For the Period: _____

No.	Date	Drawer				Payee			Times This Year	Account Status (i.e. open or closed)	Penalty fees collected
		Name	Account No.	DD Mandate No.	Amount	Name	Bank	Branch			
1											
2											
3											
4											
5											
....											
....											
TOTAL											

Authorised Signatory: _____

Authorised Signatory: _____

Date: _____

Date: _____

SCHEDULE II (c)
(Directive 12)

SCHEDULE OF CORPORATE CUSTOMERS DISHONoured DIRECT DEBIT INSTRUCTIONS

Name of Paying Bank: _____

For the Period: _____

No.	Date	Drawer				Payee			Times This Year	Account Status (i.e. open or closed)	Penalty fees collected
		Name	Account No.	DD Mandate No.	Amount	Name	Bank	Branch			
1											
2											
3											
4											
5											
....											
....											
TOTAL											

Authorised Signatory: _____

Authorised Signatory: _____

Date: _____

Date: _____