December 30, 2013

CB Circular No: 23/2013

To: **All Commercial Banks**

NEW CAPITAL ADEQUACY FRAMEWORK

Reference is made to **CB Circular No: 02/2012 (New Capital Adequacy Framework)** issued on 30 January 2012, in which the minimum primary capital requirement for commercial banks was adjusted upwards to K104 million for locally owned banks and K520 million for foreign owned banks.

As the 31 December 2013 deadline for compliance with the new minimum primary capital requirement draws to a close, the Bank of Zambia would like to advise on the progress made and the way forward on outstanding issues still to be concluded. To date, 14 out of the 19 banks in operation have met the minimum primary capital requirements as follows:

a. 6 foreign owned banks have fully met and exceeded the K520 million capital requirement;
b. 2 locally owned banks have fully met and exceeded the K104 million capital requirement; and
c. 6 foreign owned banks that have opted to convert to locally owned banks have met and exceeded the K104 million capital requirements, but are still in the process of transferring the majority equity stake to Zambian citizens through various means including private placements and Stock Exchange listing.

Further, one bank will convert to a non-bank financial institution. With regard to the remaining 4 banks, the Bank of Zambia has granted approval for recapitalization plans that extend beyond the 31 December 2013 deadline due to extenuating circumstances. However, the Bank of Zambia has entered into formal agreements with these banks which are based on strict timelines and specific benchmarks.

To this extent, all banks must be treated as compliant with the new minimum capital requirement and should therefore be able to trade with each other on the interbank market.

Commercial banks may contact the Director – Bank Supervision Department for any clarification relating to this Circular.

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DEPUTY GOVERNOR - OPERATIONS