



BANK of ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

December 20, 2012

CB Circular No: 24/2012

To: All Commercial Banks and Financial Institutions

REVISION OF THE FOREIGN CURRENCY RISK (OVERALL AND SINGLE) EXPOSURE LIMITS

Kindly refer to CB Circular No: 05/2006 on the '*Modification to the Broad Based Interbank Foreign Exchange Market System*' regarding the foreign currency risk exposure limits.

The Bank of Zambia wishes to announce that with immediate effect it has reduced the overnight overall and single foreign currency risk exposure limits from the current 25% and 20% of total regulatory capital to 15% and 10% of total regulatory capital respectively. At the same time, the intraday overall and single foreign currency risk exposure limits have been reduced from 40% and 30% of total regulatory capital to 30% and 20% of total regulatory capital respectively.

a) MAINTENANCE OF SUPPORTING DOCUMENTATION

Each bank or financial institution shall at all times maintain records, which are sufficient to determine its overall and single foreign currency risk exposures. Each bank or financial institution shall also maintain a daily record showing close-of-business foreign currency risk exposures on both single currencies and overall exposures and a reconciliation of opening-to-closing positions.

b) PENALTIES

Each bank or financial institution shall take steps to correct all foreign currency risk exposures, which exceed the limits set forth in this circular and its foreign exchange risk management policy. Failure to correct any excesses above the limit by close of business day will attract penalties of 20% of the excess calculated on a daily basis

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Notwithstanding the above penalties, where a bank or financial institution fails to comply with this circular in a manner which results, or threatens to result, in an unsafe or unsound condition, the Bank of Zambia may pursue any other corrective actions provided for under the Banking and Financial Services Act. In addition, the Bank of Zambia may prohibit the non-compliant bank or financial institution from engaging in any further foreign exchange activities or impose any sanctions deemed necessary.

c) GRACE PERIOD

At the coming into force of this circular, banks or financial institutions have five working days within which to clear the excess exposures. All excesses after the grace period shall attract the penalties as stipulated earlier.

d) SUBMISSION OF RETURNS

The daily returns which the Bank of Zambia has prescribed and signed by the reporting bank's or financial institution's authorized official covering five days of the week must be submitted to the Bank of Zambia, Bank Supervision Department on Monday following the end of the week to which they relate.

e) EFFECTIVE DATE

The effective date of this circular is **December 20, 2012**.

Please note that these guidelines are subject to change and will be reviewed from time to time to reflect the changes in the operating environment.



Bwalya K E Ngandu (Dr)
DEPUTY GOVERNOR - OPERATIONS

Cc: Governor