



BANK of ZAMBIA

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

BOZ/EXEC/DGO/fmkts/bp

June 1, 2020

CB Circular No. : 18/2020

To : All Heads of Commercial Banks

REVISION TO THE OPERATING RULES AND GUIDELINES FOR OVERNIGHT LENDING FACILITY (OLF)

Reference is made to CB Circular No. 21/2015 dated November 15, 2015, wherein the Bank of Zambia (BoZ) issued revised **Operating Rules and Guidelines for the Overnight Lending Facility (OLF)**.

Commercial banks are hereby informed that the BoZ has made changes to Rule 4.5 in the **Operating Rules and Guidelines for the Overnight Lending Facility** with respect to margin retention during default. Rule 4.5, which reads:

“In the event of default, the repoed securities covering the loan, that is, the market value of securities including the haircut will be forfeited to BoZ,”

is hereby revised to read,

“In the event of default, the repoed securities covering the loan, that is, the market value of securities will be forfeited to BoZ”.

The implication of this change is that, if a commercial bank defaults on its open market operations (OMO) or OLF obligation, the BoZ will proceed as follows:

- i. BoZ will determine the current market value of the securities covering the loan in line with the Guidelines;
- ii. If the market value of the securities is more than the cash value (loan amount plus interest), the excess collateral value will be returned to the counterparty; and

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- iii. Similarly, BoZ will request for additional securities from the counterparty in the event that the market value of the securities is less than the cash value (loan amount plus interest).

Kindly be advised that these changes take effect immediately.



Francis Chipimo (PhD)
DEPUTY GOVERNOR – OPERATIONS

cc Governor