



Bank Of Zambia

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

BOZ/EXEC/DGO/fmkts/bp

April 16, 2018

CB Circular No.: 05/2018

To: All Heads of Commercial Banks

ADJUSTMENTS TO RULES AND GUIDELINES FOR OPEN MARKET OPERATIONS

Reference is made to the subject mentioned above and CB Circular No. 21/2015, wherein the Bank of Zambia (BoZ) issued revised Operating Rules and Guidelines for Open Market Operations (OMO).

In our continued efforts to promote transparency in the market and ensure clarity of the monetary policy stance, the Bank has made the following amendments to the Operating Rules and Guidelines for Open Market Operations with effect from May 2, 2018:

1. BoZ shall only accept bids whose rates are at the BoZ Policy Rate or up to 50 basis points below the BoZ Policy Rate on borrowing operations. With respect to lending operations, only offers whose rates are at the BoZ Policy Rate or up to 50 basis points above the BoZ Policy Rate shall be accepted; and
2. All OMO transactions shall only be overnight. Where the maturity date falls on either a public holiday or weekend, accrued interest on such a transaction shall include such holidays and weekend days and be payable on the next business day.

These amendments are intended to enhance the effectiveness of monetary policy by ensuring that the operating target rate, the Overnight Interbank Rate, is appropriately aligned to the BoZ Policy Rate. The Policy Rate is the key interest rate used by the BoZ to signal the monetary policy stance. The other objective of the Policy Rate is to provide a credible and stable anchor to market participants in setting their own interest rates.

For further details and clarifications, contact the Director – Financial Markets.

A handwritten signature in black ink, appearing to read 'Bwalya K. E. Ng'andu'.

Bwalya K. E. Ng'andu (Dr.)
DEPUTY GOVERNOR – OPERATIONS

Cc Governor