



**BANK of ZAMBIA**

**OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS**

3 January, 2013

NB Circular No: 08/2012

To : All Non-Bank Financial Institutions

**MAXIMUM EFFECTIVE ANNUAL LENDING INTEREST RATES**

Further to the recent measures taken on commercial banks, the Bank of Zambia has also decided to introduce a cap on the effective annual lending interest rates that non-bank financial institutions licensed by the Bank of Zambia, can charge their borrowers.

In this regard, the maximum effective annual lending interest rate for non-bank financial institutions will be subject to a maximum cap as follows:

1. The maximum effective annual lending interest rate for non-bank financial institutions designated as microfinance service providers by the Bank of Zambia shall not exceed 42% or the product of a factor of 2.302 times the prevailing commercial bank maximum effective annual lending rate which currently stands at 18.25%. The Bank of Zambia will soon designate non-bank financial institutions which qualify under this measure.
2. The maximum effective annual lending rate for all other non-bank financial institutions shall not exceed 30% or the product of a factor of 1.644 times the prevailing commercial bank maximum effective annual lending rate which currently stands at 18.25%.

The Bank of Zambia will periodically revise the factor applicable on the commercial bank maximum effective annual lending rate in response to changes in economic fundamentals.

These measures are with immediate effect and conditions will apply to new loans written. However, existing loans will be allowed to run their course on the current terms unless refinanced.

Please note that the Bank of Zambia will issue the Cost of Borrowing Gazette Notice, which shall take the provisions of this Circular into effect.

Non-bank financial service providers may contact the Director – Non-Bank Financial Institutions Supervision Department for any clarification relating to this Circular.

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