Bank Of Zambia

OFFICE OF THE DEPUTY GOVERNOR - OPERATIONS

January 9, 2014

NBFI Circular No: 01/2014

To : All Non-Bank Financial Institutions

NEW CAPITAL ADEQUACY FRAMEWORK

The Bank of Zambia has decided to review the capital adequacy framework for non-bank financial institutions (see Table 1). The revised capital framework is designed to ensure that NBFIs hold higher amounts of high-quality regulatory capital that is available to absorb losses on a going-concern basis. The revised framework emphasizes the importance of common equity tier 1 capital, which is the highest-quality, most loss-absorbing form of capital. It will primarily be composed of common stock.

TABLE 1: REVISED MINIMUM PAID-UP CAPITAL

Category	Current (K)	Revised (K)
Financial Institutions		
Housing Finance Institutions	2,000,000	50,000,000
Savings and Credit Institutions	2,000,000	50,000,000
Leasing Companies	1,000,000	50,000,000
Micro Finance Institutions	250,000	2,500,000
Financial Businesses		
Development Finance Institutions	7,500,000	750,000,000
Leasing Companies	500,000	5,000,000
Microfinance Institutions	25,000	100,000
Bureaux de Change	40,000	250,000
Credit Reference Bureaux	1,000,000	1,500,000

The minimum primary paid-up capital shall be made up of at least eighty percent in nominal paid-up common shares (nominal paid-up equity capital) and the balance may be held only in any one or more of the following;

(i) Share premium or contributed surplus as verified by an independent auditor;
(ii) Retained income (retained earnings) as verified by an independent auditor;
(iii) General Reserves as verified by an independent auditor; and
(iv) Statutory reserves as verified by an independent auditor

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To facilitate the effective implementation of this measure, the Bank of Zambia will shortly cause to be published, in the Government Gazette, the revised minimum primary capital requirement.

Non-Bank Financial Institutions which do not meet the revised minimum capital requirements on the date of publication of the Government Gazette will have a transition period of up to 31 December 2016 to progressively build up their primary capital to the required amount on the condition that they submit a recapitalisation plan that complies with the minimum acceptable progressive recapitalisation plan set below:

1. At least 30 percent of the required amount by 31 December 2014;
2. An additional 30 percent to bring the cumulative amount to at least 60 percent of the required amount by 30 June 2015; and
3. The balance of the entire required amount by 31 December 2016.

For any clarification relating to this circular you may contact:

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